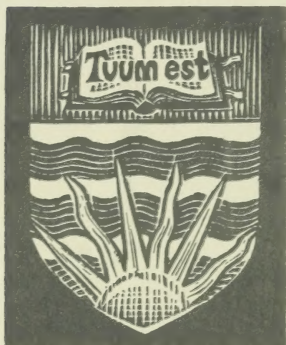


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STUDIES IN AUSTRALIAN AFFAIRS

Pacific Relations Series, No. 3

STUDIES IN AUSTRALIAN AFFAIRS

By Various Writers

Issued by the Institute of Pacific Relations,
New South Wales Branch

Edited by

PERSIA CAMPBELL, R. C. MILLS, AND
G. V. PORTUS

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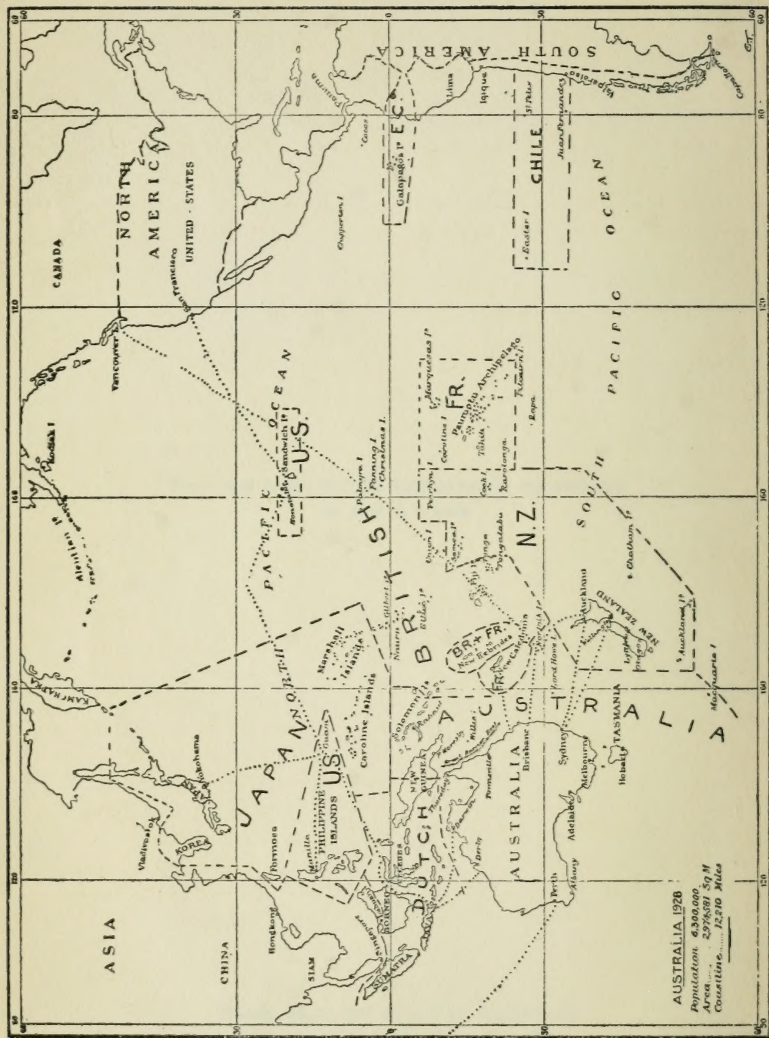
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THE PACIFIC: Territorial Boundaries in broken lines; Submarine Cables in dotted lines.

PREFACE.

The Institute of Pacific Relations, first planned in 1925 and established on a permanent basis in 1927, is a new and unofficial international agency. It comprises groups of private citizens in all major countries of the Pacific and in Great Britain, organised "to study the conditions of the Pacific peoples, with a view to the improvement of their mutual relations." This self-imposed task is to be carried out by holding regular conferences between delegates from the Groups, and by collecting information and organising discussions within Groups in inter-conference periods. It is hoped by this method to throw some light on the social forces determining the course of Pacific affairs. If these forces were more adequately known, it might be possible to control and direct them. This latter function of control and direction is the business of statesmen. All that the Institute can do is to try to make clear the existence of the forces and the lines of their activity. Indeed, this is enough to tax to the utmost the courage of this little band of enquirers.

Half a billion people are massed round the Pacific. They exhibit every variety of civilisation from the more primitive cultures to highly developed social organisations. They live in territories of widely different extent and natural resources; they are expanding in national groups at varying rates of increase; their standards of living are most diverse. It would be no small thing to make plain the actual facts of their relationship, obscured as they are by clouds of race prejudice, tradition and fear.

The Australian Group of the Institute comprises two branches, one in Victoria and one in New South Wales. The Victorian Branch has recently published a symposium on population questions, entitled *The Peopling of Australia*. In publishing this series of Studies, the

New South Wales Branch fulfils part of a continuing obligation to explore Australian tendencies affecting or likely to affect Pacific relations.

The financial difficulties of its publication have been overcome by a grant from the Central Research Fund of the Institute. But, even with this help, the publication of this book would have been impossible had not the writers of the chapters given their work gratuitously and ungrudgingly. It is necessary to remark that the writers alone are responsible for the opinions expressed in these chapters, because the Institute neither expresses nor holds official views on any Pacific problem.

PERSIA CAMPBELL.

R. C. MILLS.

G. V. PORTUS.

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- Chapter XII. *Australian Policy in Papua.* By Sir J. H. P. Murray, K.C.M.G., Lieut.-Governor of Papua.

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CORRECTION

On page 23, 8th line from bottom, read
40 million bushels instead of 40 million acres.

CHAPTER I.

THE NATURAL RESOURCES OF AUSTRALIA.

GRIFFITH TAYLOR.

PART I.

One may pick up almost any daily paper and read some statement to the effect that Australia has unbounded natural resources; that her assets rival those of the United States; that her future is to dominate the Pacific. To the geographer these statements are pathetic where they are not tiresome and absurd. A very cursory survey of the actual environments in Australia leads us to the sad but sane conclusion that half of our continent is of very little economic importance.

Let us for a moment glance at the four Southern Continents. These are South America, the sub-continent of South Africa, Australia and Antarctica. In Fig. 1, three of these are shown as they are arranged with regard to the Tropic of Capricorn. Africa and South America are narrow in this latitude, Australia is broad. Here is the explanation of the larger expanse of arid country in Australia. Although all lands situated along the tropic are wet in the east over a distance of five hundred miles or more from the coast (Fig. 1), yet thereafter to the west the land is arid, and the broader the continent the larger is the expanse of desert. North Africa has the broadest expanse—for all Southern Asia lies to the east of it. This largely explains the uniform aridity of the Sahara. Australia unfortunately is the next widest continent in these latitudes. As a result, the arid belt in Australia is nearly 2000 miles wide. In South Africa it is about 700 miles wide; in South America only about 300 miles wide.

If one could only twist Australia so that its long axis ran north-south (see B in Fig. 1), the arid region would be very much less, resembling that of South Africa. Better still, if we could push Australia southwards about 10° of latitude, it would then lie in the

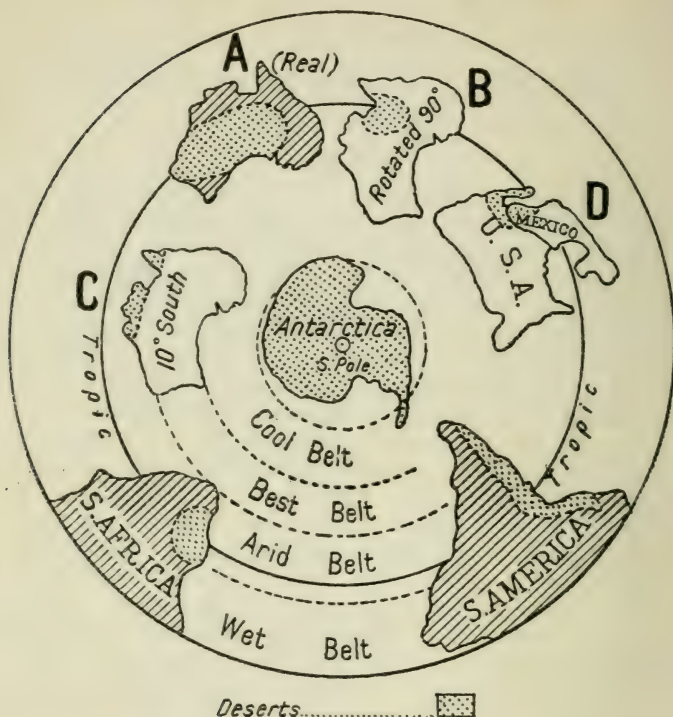


FIG. 1.—Two hypothetical positions of Australia (B and C) compared with U.S.A. (inverted) and the four southern continents.

NOTE.—In the maps in the text, the order of the capital letters is considered independently for each State. Areas marked "A" in one map are not necessarily of the same quality as areas marked "A" in other maps. An approximate grading would be as follows:—

First grade land is marked "A" in N.S.W., Victoria, Queensland, Tasmania and Western Australia.

Second grade land is marked "B" in N.S.W. and South Australia; "B" and "C" in Victoria and in Queensland.

Third grade land is marked "C" in N.S.W. and South Australia.

Fourth grade land is marked "D" and "E" in N.S.W. and Queensland; "D" in Victoria; "A" in Northern Territory; and "B" in Western Australia.

The remainder is sparse pastoral land or desert.

“best belt” of latitude (as at C in Fig. 1). Under such circumstances Australia would have a chance to rival the United States in her agricultural resources. The relative position of U.S.A. (reversed, of course) is

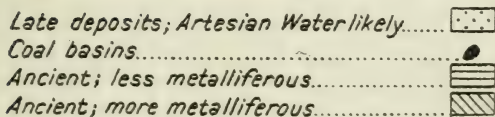
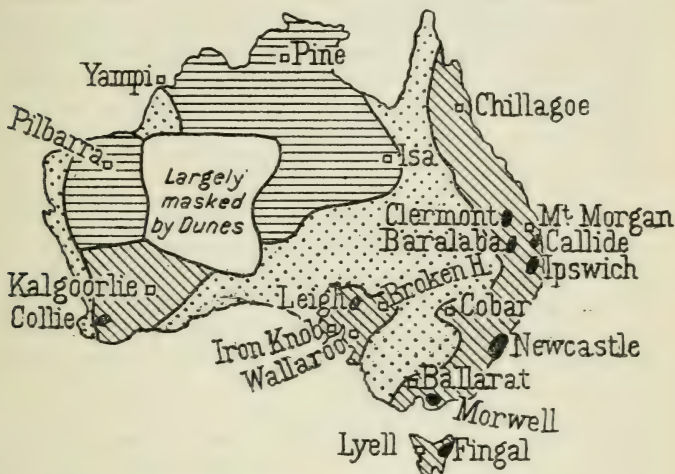


FIG. 2.—Highly generalised mineral map of Australia.

shown at D. It will be seen that the Gulf of Mexico cuts down the land along the tropic, so that only a narrow corner near Mexico is a desert. Even the outline of Australia is about as unfavourable as it well could be. If long gulfs extended into the heart of the country—as does the Gulf of Mexico—it would greatly improve the chances of the rest of Australia receiving valuable rains. Thus the latitude and outline are grave disabilities, and we may now consider the geological, topographic and climatic controls.

Geological Control.

Speaking in general terms, it may be stated that the older and more folded and intruded a deposit is, the more likely it is to contain valuable ores. Conversely, the newer level-bedded deposits hardly ever contain metals, except as detritus (alluvial) from adjacent old formations. Without dwelling on the details of the geological record, it is quite easy to classify the geological deposits of Australia in four or five groups, which furnish a guide to the distribution of valuable minerals. (See Fig. 2.)

As regards both coal and artesian water, almost exactly opposite conditions are favourable. Coal vegetation seems to have developed in swamps where the land was slowly *subsiding*. Hence enormous thicknesses of something like peat were ultimately converted into coal. No formations older than Permian (some 150 million years ago) contain coal in Australia. Few of our Permian rocks are much folded or contain valuable ores. So also artesian basins must necessarily be in the form of a broad bowl or only gently warped surface, with continuous deposits more or less horizontal above the permeable layer. In our domain these occur in Jurassic times (some 50 million years old) or later. There is thus a marked division in early Permian times as regards economic geology. The ores are older than Permian, the coal and artesian beds are Permian or newer. In a recent paper (1928) I have discussed the coal supplies. The total reserves, in million tons, are somewhat as follows:—New South Wales, 120,000; Victoria, 12,000; Queensland, 2,000; Western Australia, 3,500; Tasmania, 250.

Topographic Control.

This is of less importance in Australia than in almost any continent, for the areas over 2000 feet are almost negligible. (See Fig. 3.) They comprise about 180,000 square miles (out of three million), and these moderately elevated areas are rather unfortunately distributed.

Obviously they would be of most advantage where tropical settlement is likely to be large; for an elevation of 2000 feet means a lowering of the temperature by 6° F. The highlands will be of little advantage in arid regions, where some 57% are situated, and a positive disadvantage in cool regions (14%). In addition to her unfortunate latitude, Australia has therefore an unfortunate distribution of highlands; for only one elevated area, the Atherton tableland, offers attractions to

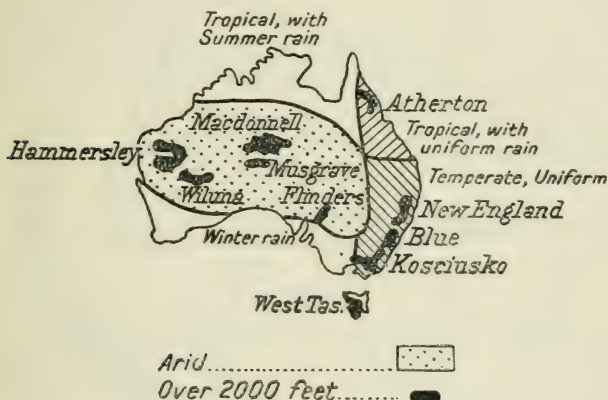


FIG. 3.—Highlands and chief rainfall divisions.

settlers in the tropics. The New England area (23,000 sq. miles) and the Blue Plateau (14,000 sq. miles) are in warm, temperate lands, and the climate is rendered more attractive in summer by reason of their elevation. As for the Alps around Kosciusko and in Victoria, and the western highlands of Tasmania, there is little doubt that had the regions been at sea level the resources of Australia would have been increased; for they are but bleak cattle areas at best to-day.

Rainfall Control.

The chief asset in Australia is the rainfall, which needs to be considered from several points of view. The

map showing average annual rainfall is fairly well known. A remarkable feature is the small area receiving more than 30 inches of rain. This is of considerable importance, since the millions of the white race in Europe and North America are chiefly found in temperate lands of this rain regime. Unfortunately much

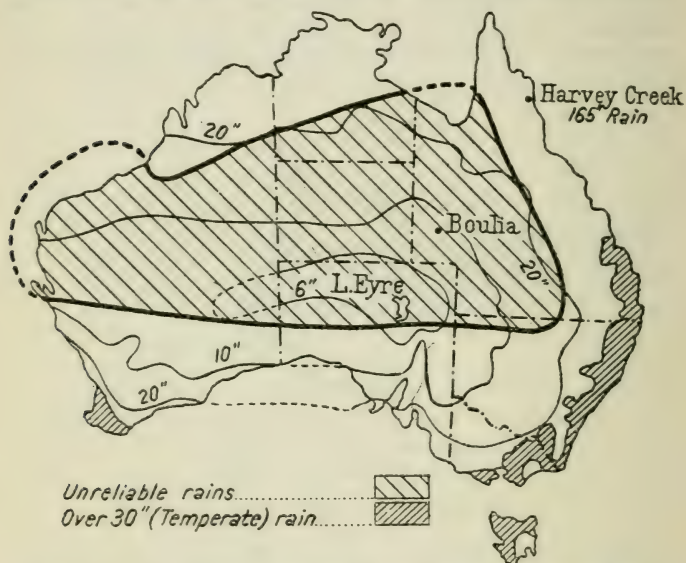


FIG. 4.—Average Annual Rainfall. Boulia has an evaporation of 124 inches a year.

of the Australian humid area is very rugged. As regards New South Wales, over 30% is practically uninhabited to-day, in spite of its excellent climate, because of the rugged topography. On the other hand, very little of the continent receives less than six inches of rain. As a result, we find no large areas of "living" sand-dunes, such as are a feature of the Libyan Desert, to the west of Cairo. Large areas—probably 700,000 square miles—are covered with fixed dunes, whose sparse vegetation has anchored what was once an even less

attractive region of shifting sand. The map (Fig. 3) shows that the boundary of the arid region is to be drawn near the 20-inch rainfall line in the north, and near the 10-inch line in the south. This, of course, is due to the high evaporation, for in most of Central Australia the sun evaporates eight feet of water in the year.

Another very important control is the reliability of the rain. Speaking generally, the regions with high evaporation are also very unreliable in their rainfall. The area where the rainfall normally varies 30% or more is shown in Fig. 4. The worst region is near Onslow, in the extreme west, and the best near Perth, in the same State. Barkly Tableland (N.T.) seems to be unusually unreliable for a northern area. In the south-east the highlands are more reliable than the lowlands.

PART II. THE VARIOUS STATES.

Western Australia.

General.

The State comprises 976,000 square miles, and its most characteristic feature is the uniformity of its surface. It forms the greater part of the West Australian Shield—a very resistant block of the earth's crust, which today forms a low plateau (or elevated peneplain) about 1200 feet above sea level. Along the coast this plateau is bounded by scarps which are often due to fault-planes. There is only a small development of the later geological formations around the margins of the Shield. These later beds contain a good deal of artesian water, where the water rises from deep supplies when the impervious capping is pierced. It is quite incorrect to say that the main portion of the State (the "Shield") has artesian supplies. Small supplies of ground-water, about 40 feet or so below the surface, are, however, fairly widespread (see Fig. 5).

The State may best be divided into six regions, of which one far surpasses the others in economic im-

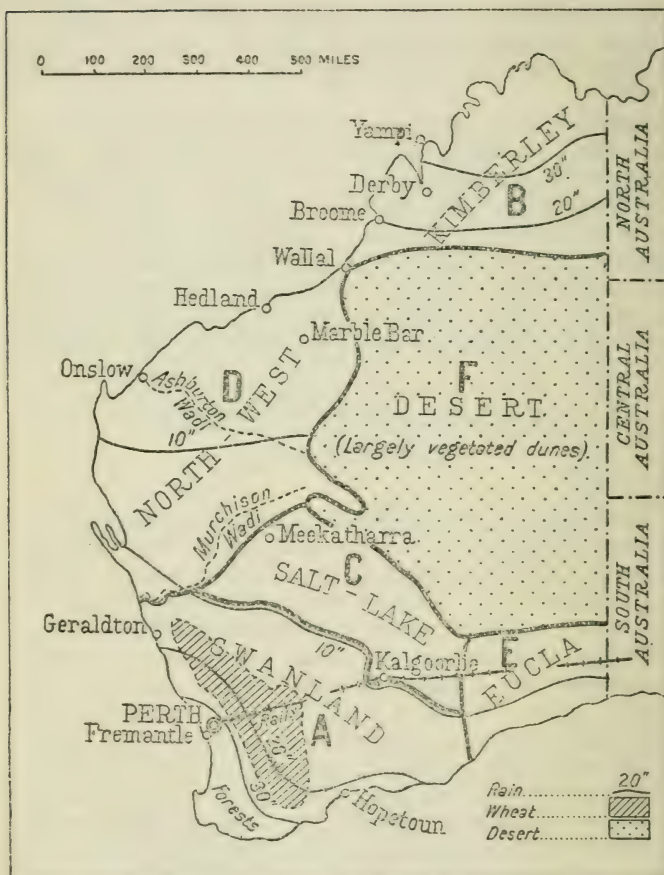


FIG. 5.—The major economic regions of Western Australia. The letters indicate approximately the order of importance in W.A. (These letters do not agree with those shown in other States.)

portance. This latter is the south-west corner, and is the only temperate region with a rainfall over ten inches. It is conveniently known as Swanland. The other five regions in order of importance are Kimberley, Salt Lake, North-west, Eucla and Desert.

Swanland.

Almost all the population of the State, excluding those in a few mining towns, like Kalgoorlie, Meekatharra, and Marble Bar, lives in this corner. Here is all the agriculture and the only important pastoral occupation (except the cattle in Kimberley). The richest country lies to the south of Perth, where valuable forests of eucalypts, such as Jarrah and Karri, are giving way to dairy farms and orchards. Here some successful "group settlement" is occurring. The timber output is about 271 million "super feet," which is nearly double that of each of the other timber-producing States of New South Wales, Queensland and Victoria. It is only where the rainfall is reliable and fairly uniform during the year that valuable timber forests are found. Apples and allied fruit grow in the southern portion of the wetter belt, while oranges and vines flourish in the hotter, drier parts near Perth. Somewhat inland from the forest area is the great wheat belt of the State. It extends from Geraldton nearly to Hopton, and is gradually advancing to the east, so that it is approaching the 10-inch rainfall line in places. In 1916 there were about 1.6 million acres under wheat, but in 1926 this had increased to 2.6 million acres. Sheep (three million) and cattle (160,000) are fairly abundant in the western part of Swanland, but the south-east corner of this division is still almost empty of settlement. Rather salty ground-water, and some poison plants, are factors preventing rapid expansion in parts of this area, in spite of the satisfactory rainfall. Coal mining is important at Collie (about 100 miles south of Perth), where there are said to be 3,500 million tons available. Artesian water is obtainable along the

coast near Perth, and some metal mining for gold and copper occurs at Southern Cross and Ravensthorpe.

Kimberley.

This northern region has a rainfall exceeding 20 inches a year, which all, however, falls in the four hottest months. There is no agriculture, apart from a little fruit, etc., grown by aboriginal labour at the Mission Stations. The long, arid season prevents the growth of timber forests, though bushland and grasslands are general. The country is rugged in the north, with some gold near Hall's Creek. The plains along the Fitzroy River carry some 450,000 cattle and a few sheep. There is a Government meat works at Wyndham, which is perhaps the hottest place on earth with a fair rainfall (84.6° F.). Broome is the only town, and is based on the pearling industry. Only 600 of its 2000 inhabitants are white, the majority being Japanese connected with pearling. Yampi Sound, off Derby, has large and accessible deposits of valuable iron ore.

Salt Lake.

This region extends from the Murchison River to Kalgoorlie. It is very dry, and seems to have become drier in the present epoch than it was formerly; for the very numerous salt lakes probably occupy dismembered portions of former river valleys. They rarely contain any water. The ancient rocks of the "Shield" contain rich gold deposits, of which the "Golden Mile" of Kalgoorlie is the most famous. Over 156 million sterling has been produced in the State, most of which comes from the vicinity of Kalgoorlie, in the Salt Lake division. The country is covered with sparse scrub, with a fair amount of herbs and grass. It is being occupied by a sparse pastoral settlement, but it is absurd to expect that this region, with less than 10 inches of rainfall, will ever add much to the pastoral wealth of Australia. It includes at present about 360,000 sheep and 50,000 cattle.

North-west.

This region has a rainfall varying from 8 to 15 inches. The evaporation is very great, for Marble Bar has one of the hottest summer climates in the world. There is a little mining, but sparse pastoral occupation is the chief industry. Mulga (*Acacia*) is common especially in the south, and this serves as "top-feed" for cattle. Sheep are grazed also, in part on a soft variety of spinifex (*Triodia*). There are about two million sheep and 150,000 cattle in this region. Imposing rivers are shown on most maps, but these only flow for a few days in the year. They should be marked as "Wadis." There are no prospects of agriculture or of important pastoral occupation, though the present low density of the stock will no doubt improve somewhat in the future.

Eucla.

This is a region of surface limestones overlying an artesian basin. Unfortunately the water is usually very salty—and as the rocks are porous there is great difficulty in the water supply. There is practically no settlement to date. The region is crossed by the trans-continental railway, but this has made little difference in the eleven years since traffic commenced.

Desert.

This is a large area in the eastern-central portion of the State, which contains no white settlers and very few aborigines. It extends far into the Territory and into South Australia. It has a high evaporation and a very low and unreliable rainfall. Much of it consists of sand-ridges sparsely covered by mulga and spinifex (*Triodia*). It lies at a general elevation of about 1500 feet, and no settlement appears likely until the rest of Australia is much more densely populated. The borders have been occupied for thirty or forty years, and it is empty simply because it is most unattractive, not because it is unknown. Many years ago a line of wells was excavated across its north-west portion for a stock route, but only one or two herds of cattle have been across.

Northern Territory.

This region has recently been divided along the latitude of 20° south, into Northern Australia and Central Australia. (These new "positional" names are very confusing, and might advantageously be replaced by such names as "Darwinia" and "Arunta.") There is no economic significance in the subdivision, and the writer can see only one certain result—an increase in the number of civil servants, which seems hardly warranted by a total population of 500 in the southern moiety. (See Fig. 6.)

The only region of real economic importance throughout the Territory is the cattle-belt (with some half-million of stock) extending through the hinterland from the Victoria Basin to the Barkly Tableland. The rainfall here varies from 25 inches in the west to 15 inches in the east. Probably sheep will replace cattle in places in this area in the near future. Nearer the coast the soils are poor, and though the rain is heavier the grass is very rank, and pests are rather prevalent. South of Powell's Creek there is hardly any pastoral occupation until the Macdonnells are reached, a distance of three or four hundred miles. In the latter area there are about 150,000 cattle and 6,000 sheep—surely meagre resources to justify the building of a railway over 300 miles long.

As regards the rest of the Territory, the mineral belt behind Darwin has produced many metals, but the tin at Maranboy (near Pine Creek) is the only industry which shows any sign of life. In the Macdonnells the gold field at Arltunga is also stagnant, and the inaccessible mine at Tanami is heavily handicapped by difficulties in transport, labour and water supply.

There are only about 3000 whites in the whole half-million square miles of the Territory, in which Darwin is the only settlement worthy of the name of town. The meat industry at Darwin seems to have been killed to a large extent by the extreme difficulty in obtaining reliable and permanent labour. Arnhem Land in the

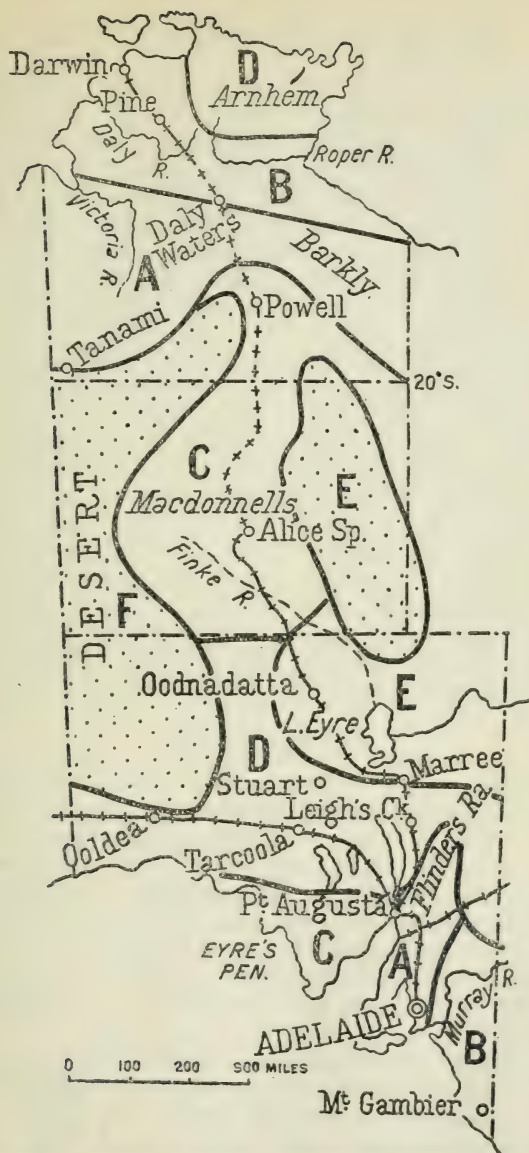


FIG. 6.—Major Regions in Northern Territory and South Australia. The letters indicate approximate order of importance. (Each territory considered separately.)

north-east, offers few attractions, mineral, pastoral or agricultural. The same is true of the two desert areas which flank the overland telegraph from Tennant's Creek down to South Australia. The extreme south-east is portion of the great artesian basin, and the water is tapped at Andado. Little use is made of it, for the rainfall is only seven inches a year, while the evaporation is 100 inches. Hence the natural vegetation is capable of supporting only a very sparse pastoral occupation. Indeed, a good deal of it is covered by "fixed dunes" in both desert areas, and hardly anywhere has a pastoralist yet found the precarious country worth his attention. The writer knows of only one Territory crop—some tons of peanuts—which can be included in the term agriculture. It is against economic laws to expect any crops in the Territory (even if the soil conditions were much more attractive than they are) as long as many thousands of acres all along the east coast of Australia are entirely unused for agriculture. The trouble with the Territory is that, speaking generally, it is an unattractive region, and no change in administrative methods and no foolish boosting will make it a really important asset to Australia except for cattle.

South Australia.

No region in the Commonwealth shows the paramount control exercised by rainfall better than does this State. It is divided into the "Counties," and into the vast northern region it has not been worth while to demarcate into counties. The boundary between the settled lands and the "sparselands" is almost exactly along the 10-inch isohyet. In the map I have shown three divisions with important population, two with negligible population and one which is uninhabited. (See Fig. 6.)

The great industry in South Australia is the wheat crop. This is grown fairly generally through the region receiving over 10 inches a year. The richest areas are just north of Adelaide, and

extend nearly to Port Augusta. Here the rainfall is low, but is nearly ideal as regards season. About 12 inches fall during the growing season, mostly at the start of the autumn (April). In 1924-25 the yield from the State was about 30 million bushels. Across the gulf in Eyre's Peninsula there are over half a million acres of wheat lands. The hinterland here, however, is handicapped by salty ground-water in many places. Vineyards are found chiefly where the rainfall exceeds 20 inches in the uplands north of Adelaide. Oats and barley and fruit become of greater importance in the cooler, wetter corner near Mount Gambier. There is a good deal of irrigation along the Murray. Renmark, near the border, is the oldest settlement, with about 5000 settlers. Here peaches, raisins and citrus fruits are grown, and in 1916 the exports were worth £153,000. Waikerie, Berri, and Cadell are smaller sites near the mouth of the river.

Practically all the chief mining occurs near the Flinders Range. The large copper fields of Burra and Kapunda have long since been exhausted. Wallaroo and Moonta are not very active. There are many small mines in the hills, which are closed while the price of copper is low. Salt on Eyre's Peninsula and at Lake Hart, phosphate rock and gypsum are subsidiary interests. Iron Knob (to the south-west of Port Augusta) is perhaps the chief supply of iron ore in Australia. Here are some 133 million tons of ore.

Nearly all the cattle and sheep are found in the "Counties." Beyond the 10-inch rainfall the economic possibilities fall off very quickly. Saltbush (*Atriplex*) and Mallee (a dwarf eucalypt) are typical native plants in this arid region. With large outlay on wells and "tanks," it is possible to stock 33 sheep to the square mile (as at Mutooroo). But inland South Australia is at best only a region of sparse pastoral occupation. Neither the cattle nor sheep of the State have varied much in numbers in the last 20 years. In the north-east is a large area, with artesian supplies, around Lake

Eyre. These keep stock routes open, from Marree to Queensland, etc., but obviously cannot affect the character of the vegetation or the supply of fodder to any extent. In the north-west the State is quite uninhabited. Here are the Musgrave Ranges (which rise to some 5000 feet), with a rainfall about seven inches. Opal is found at Stuart's Range, gold at Tarcoola, and coal at Leigh's Creek. None of these is of much importance. Few railways in the world can have so little reason for their existence as the line north of Marree, and this small settlement was connected with Adelaide in 1884. Only one train a fortnight is found necessary fifty years later. Yet the Commonwealth is now extending the railway into regions of no greater economic value.

Queensland.

This large State is probably the best endowed of all. It possesses nearly as much temperate farming land as any of the other States and is the sole State with a satisfactory tropical farming area. Furthermore, it has very large pastoral areas of more than average value, fair coal supplies, many useful minerals and no districts so dry that they must be classed as deserts. It may be usefully considered in six sub-divisions, which, as heretofore, will be discussed in the order of their importance. (See Fig. 7.)

(a) In the south-east is a region of warm, temperate coastlands surrounding the capital. Formerly it was heavily forested with valuable tropical softwoods and many fine eucalypts. There is still a good deal of timber available, but dairying and mixed farming have replaced the forest. Maize is the chief crop. Lucerne is common, and sugar is grown on the coast. The chief coalfield occurs at Ipswich. Gympie and Mount Morgan have been famous copper and gold mines, but are not active now. In the hinterland cotton has become an important crop, especially south-west of Rockhampton. Almost eighteen million pounds' weight were grown in 1925.

(b) The adjacent region on the western slopes of the highlands is drained by the Condamine. Here sufficient rain falls in winter to permit of the growth of wheat. The chief centre in the State is accordingly in the Darling Downs and their vicinity. Some 200,000



FIG. 7.—Salient economic divisions of Queensland.

acres are cultivated for wheat, but this is far below that grown in the southern States. The writer believes that a large increase in wheat (allied to Texan and Central Indian types) will take place to the north of the present wheat area.

(c) The coast from Rockhampton to Cooktown is a very interesting one, for here alone are Anglo-Saxons

carrying on heavy agricultural work in the tropics. The sugar crop is a very valuable one, though its existence is due to high tariff "protection" against imported sugar. Mackay is the chief centre, but Mourilyan (near Cairns) has nearly 50,000 acres under sugar. It needs a rainfall of 40 inches or more, and so is not grown far from the actual coast—for the wet belt is very narrow on the east coast. Sugar extends as far south as Grafton in New South Wales. In Queensland in 1925 the crop amounted to $3\frac{1}{2}$ million tons of cane. There are numerous plantations in the same belt devoted to bananas, pineapples and other tropical fruit, while dairying is increasing in importance. The Atherton Tableland is perhaps the finest tropical region in Australia. Here trial crops of all kinds of tropical products seem to grow well. Timber is cut near Cairns and Bowen from the tropical "rain-forests." Hoop-pine, cedar and maple (*Flindersia*) are three of the most valuable timbers. Metal mining is diminishing in importance, but very valuable coal occurs at Clermont and along the Dawson River. The Atherton Tableland has a very large variety of mines near Chillagoe and Herberton.

(d) *Inland Queensland*. This is a region of uplands rarely over 1000 feet high, which extends from the Gulf down to the border of New South Wales. It is endowed with a wonderful artesian supply unequalled in the whole world. The whole basin comprises 570,000 square miles, of which more than half is in Queensland. There are about 1400 flowing bores and 1700 sub-artesian (where the water is pumped to the surface). The deepest bore is over 7000 feet deep, and was put down near Blackall. It has made the greatest difference in the capacity of the pastoral holdings, for every paddock is now assured adequate water. It has no prospects, however, as regards agriculture. In the region around Longreach is an important sheep region, not, however, equal in density to the main sheep belt in South-east Australia. Cattle are more abundant along the railway

running from Cloncurry to Townsville, for in the southern parts of the artesian basin cattle tend to be replaced by the more valuable sheep. Sheep have, however, not varied much from 19 millions since 1908, while cattle also are relatively stationary around six million. This latter figure is, however, much higher than that of any other State. These large "prairies" of Mitchell grass are unrivalled in other parts of the Commonwealth, and this factor, combined with the artesian water, perhaps accounts for the superiority of Queensland as regards beef cattle. There is no agriculture in this region, but millets and maize will certainly be grown in the future along the wetter margin.

(e) There is a small region behind Cloncurry, where very ancient rocks occur at the surface. Here are found the valuable copper mines of Cloncurry and the silver-lead of Mt. Isa. The rainfall is rather low here, but the Barkly Tableland supports good cattle, even though it is outside the artesian water. Ground-water can usually be reached at 200 feet, and the stock-capacity of this region largely depends on the number of wells.

(f) The long peninsula of Cape York has a poor soil, hot temperatures and a long, dry season. It maintains a few cattle stations.

New South Wales.

This is by far the richest and most populous State at present. It is the first of the three States to be considered in which topography is of great importance. The belt of rugged country is really due to uplifted blocks of the crust rather than to folded ranges. There are three separate plateaux—New England, rising to 5000 feet; Blue Plateau, somewhat lower, and Kosciusko, rising to 7328 feet. The eastern side of these plateaux has been so eroded by rapid streams that the region is everywhere too rugged for important settlement. The western slopes of the New England region are useful for agriculture, and there is a good deal of pastoral occupation wherever the regions are not too rugged. (See Fig. 8.)

The State, therefore, can be divided into strips more or less parallel to the coast. The rainfall lines are also parallel to this general direction. There are accordingly five main economic divisions, arranged in order of decreasing importance: (a) coastal strip; (b) western

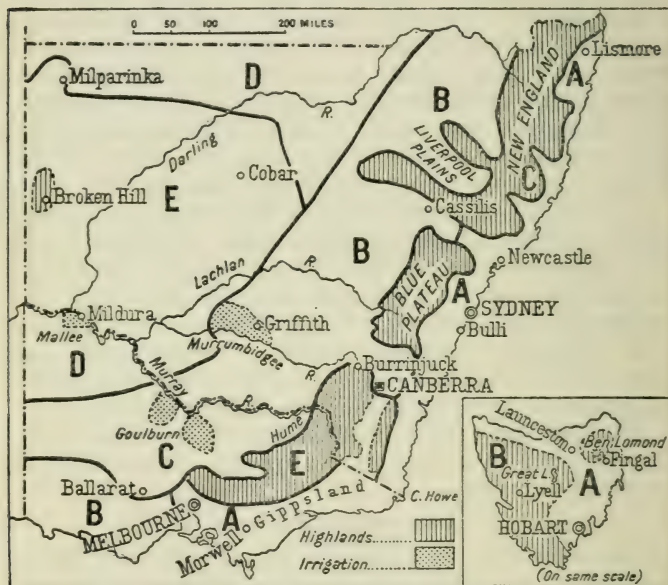


FIG. 8.—Salient economic divisions in South-East Australia. Relative importance of regions in each State approximately indicated by the letters.

slopes; (c) rugged highlands; (d) artesian plains; (e) arid western plains.

(a) *Coastal Strip*.—This region extends from north to south, but is of varying widths. At its north end it is some 50 miles wide in the very rich dairying region of Lismore, where are grazed the densest herds of cattle in Australia. Some sugar and bananas are grown as far south as Grafton. Timber mills are common near the coast, for there are valuable eucalypts and a little

pine and cedar in the thick forests of the well-watered region. Lucerne and maize are grown largely also. To southward the plateau reaches nearly to the coast, until the lower valley of the Hunter is reached. Here fairly low country extends inland to the Cassilis Gate. The rich flats along the lower Hunter are noted for maize and lucerne, but coal-mining is the chief industry near Newcastle. From here southwards to Bulli the lower lands are largely composed of sterile sandstone, upon which has sprung up the largest city in the Commonwealth—Sydney, with over one million inhabitants. The coal exists continuously south of Newcastle to Bulli and Mt. Kembla, but it is 3000 feet below the surface at Sydney. The South Coast district is an old-established dairy region, with a good deal of mixed farming and fruit growing.

(b) *Western Slopes*.—The agricultural wealth is found chiefly in the wheat fields which extend all along the western slopes, especially in the region south of the Lachlan River. This belt is bounded approximately by the 10-inch winter rain line on the west, and by the rugged topography and rocky soils of the highlands on the east. In the map the eastern boundary is only shown in a generalised fashion. Tongues of agricultural land extend eastward down the broad gaps (or *Gates*) between the highlands at Cassilis, Canberra and Cooma.

In the west of New England oats and maize are more important than wheat, but the latter is the great crop on the north-west slopes, where 327,000 acres are tilled. The central region has over one million acres under wheat, and the southern portion (including the Riverina) over two million acres under wheat. Oats amount to some 300,000 acres, chiefly on the western slopes of the southern highlands. Throughout this region is the great sheep belt of Australia, for some 60 per cent. of the New South Wales sheep graze in the Riverina and on the western slopes. There are relatively few cattle outside the green pastures of the coast and tablelands. The total for the State is about three million head.

One of the chief irrigation regions in the Commonwealth is situated on the lower Murrumbidgee, where the rainfall is about 15 inches. The water is impounded in the Burrinjuck reservoir, near Canberra, and the dam holds 770,000 acre-feet. The water flows down the river to Berembidj, and is there diverted to the irrigated lands, which will ultimately total 200,000 acres. Peaches, citrus fruits and grapes are largely grown. The rice crop is promising, and about 5000 acres were sown in 1927. The population is at present about 15,000.

(c) *The Plateaux*.—In the rugged topography agriculture is unimportant. Some pastoral occupation occurs. In the whole State mining is not very important except on the coalfields of the coast (24,000 men) and at Broken Hill (5600 men). The remaining mines, chiefly in or near this rugged division, only employ 4000 men. Dredging for gold occurs in the rivers around Araluen and Adelong. Tin is found in the west of New England. Iron deposits in medium amounts are found near Orange.

(d) and (e) *The Western Plains* of the State are almost entirely devoted to the pastoral industry. There is no agriculture except along the Murray, or in the Griffith area, just on the borders of the division. Merinoes constitute most of the stock, and their density is much less than in the wheat belt. Thus in 1926 there were one million sheep in the coastal belt, 44 millions on the tablelands and slopes, and only eight millions in the western plains, which we are now considering. The northern portion (D in map) comprises some 70,000 square miles of the artesian basin with about 500 bores. It has led to greater density in the sheep, especially in the Moree district in the east.

Mining at Cobar for copper has practically ceased, and most of the other copper mines are stagnant at present. Opals are found at White Cliffs, near Milparinka, and at Lightning Ridge, near the Upper Darling. It is, however, Broken Hill which is the premier metal mine in Australia. Over £127,000,000 worth of silver-lead-

zinc have been obtained from this famous group of mines. In 1925 over one million tons of ore were raised from these mines.

Victoria.

This small State has a relatively dense population, because almost the whole of it (excluding the rugged mountain plateaux) is capable of some agriculture. There are five economic divisions: (a) The central and eastern coastlands; (b) the south-west plains; (c) the central wheat belt; (d) the Mallee; (e) the rugged eastern plateau.

(a) *Melbourne and Gippsland Region.*—This includes some of the densest population in Australia. The country is largely devoted to dairying and to the growth of crops to feed the city of Melbourne, where live 56% of the whole population of the State. Hay, barley and maize are other crops. Here are some of the largest trees in the world, for some of the eucalypts of Gippsland are over 300 feet high. The chief mineral asset is the wonderful brown coal of Morwell, which is 700 feet thick and ranks about nineteenth among the world's coalfields. There is also older coal at Wonthaggi, nearby.

(b) *The South-west of Victoria* is a plain rising gradually to an upland region in the north and largely built of basalt. The rich grasses carry perhaps the densest sheep in Australia. It is also a great dairy region, especially along the coast. A good deal of oats and wheat is grown in the drier northern portions.

(c) *The central agricultural belt* contains, however, nearly all the wheat, i.e., some 40 million ~~acres~~ out of a total of 47 millions in 1924. Hay and oats are the other important crops, which are together about one-third as important as wheat. Sheep and dairy cattle are found throughout. Mining for gold is still important at Bendigo and at Beechworth in the east. Irrigation is very important along the lower Goulburn and adjacent Murray, where nearly one million acres are served from the

Goulburn works. The new Torrumbarry Weir, near Echuca, serves 300,000 acres a little lower down the Murray. The Hume Dam (near Albury) is not yet completed. It is to contain two million acre-feet and will cost over four million sterling.

(d) The north-west corner of the State is called the *Mallee*, and receives a low rainfall of about 10 to 12 inches. Much of it is sandhill country, but certain belts—where fresh-water wells are possible—are being developed as wheat country.

(e) *The Eastern Plateau*, with a general level of over 3000 feet, is too bleak and cold for settlement, save for some sparse pastoral occupation.

Tasmania.

This large island is a fragment of the Eastern Highlands of Australia, apparently isolated by the foundering of Bass Straits. It is only one-third the size of Victoria and about one-fortieth of the size of Western Australia. Approximately one-half of the State is elevated above 1500 feet, and in consequence is wet and bleak. There is only a sparse pastoral occupation of these elevated plateaux. The Great Lake, however, gives rise to a large amount of hydro-electric energy, which is transmitted to metallurgical and chocolate factories near Hobart.

The more important lands are the agricultural region along the north coast, west of Launceston, and the lowlands in the south-east quarter of the State, north of Hobart. Here also are grazed most of the sheep and cattle. The numbers of sheep have remained about 1.7 millions since 1860. Dairying is important throughout the lowlands. Fruit growing is also important, and in 1925-26 fruit and potatoes were produced to the value of £1.8 millions, while the wool was worth about £1 million. Oats is a more important crop than wheat, for which Tasmania is rather cold and wet. In 1925-26 the oat yield was 835,000 bushels and the wheat yield 365,000 bushels.

Mining has been an important industry for many years. Mount Lyell, in the western mountains, is a very important copper mine, producing about £400,000 a year. Silver-lead at Zeehan and tin at Bischoff are very valuable deposits in the same region. Coal is worked at Fingal, in the east, but is only of local importance.

Conclusions.

In the following table I have endeavoured to summarise the economic possibilities of the seven political divisions of the Commonwealth. Close settlement is dependent on the first and second columns, if we ignore the value of the coal supply. There is no doubt that Queensland and New South Wales rank a long way above the next State, Western Australia. Then in the third class come Victoria and South Australia. Tasmania, small as it is, is a great deal more valuable than Northern Territory, which has more than twenty times its area.

(The figures given in thousand square miles are only approximate.)

Potential Value of the States.

State.	Temp.	Tropical.	Good.	Fair to		Desert.	Total.
				Poor.	Good.		
1. Queensland . .	134	100	367	69	—	—	670
2. New South Wales . . .	188	—	77	115	—	—	310
3. Western Australia	150	—	140	240	446	—	976
4. Victoria . . .	68	—	10	10	—	—	88
5. South Australia	60	—	50	160	110	—	380
6. Tasmania . . .	16	—	5	5	—	—	26
7. Northern Territory	—	—	130	260	130	—	520
Total	616	100	779	789	686	—	2970
Percentage . .	21	3	26	27	23	—	100

There is a great deal of misdirected zeal expended in boosting the *actual* empty lands of Australia. Most of these are empty because they are not capable of economic settlement. It is far otherwise with the *partially* settled regions in the agricultural belt. Here, then, is room for 20 millions of people before the present "saturation" of U.S.A. is reached, or for 80 millions if the condition of "saturation" of Europe be considered permissible. But almost all this wasted land is alienated from the Crown, and the writer can see nothing but some method of scientific "share-farming" which can enable the land to support millions of immigrants without ruining those who at present own the land. Only as regards about one-quarter of its area can Australia be described as at all a suitable region for close settlement for the overcrowded millions of the British Isles.

I have gratefully to acknowledge the help of Mr. F. Broinowski, of the Federal Lands and Survey Department, in tracing the maps in this chapter.

References: Griffith Taylor, *Australia*, 5th edition (Oxford, 1928); Griffith Taylor, *Environment and Race* (Oxford, 1927); Griffith Taylor, *Australian Meteorology* (Oxford, 1920); Griffith Taylor, *Climatic Control of Production*, Atlas (Melbourne, 1915); Griffith Taylor, *Status of the Australian States* (Geog. Soc. N.S. Wales, Sydney, 1928); Official, *Commonwealth Year Book* (Melbourne—Annual).

CHAPTER II.

THE AUSTRALIAN STANDARD OF LIVING.

D. T. SAWKINS.

- I. Difficulties in Choosing Representative Standard.
- II. Standard of Wage-earners.
- III. Improvement in Standard of Wage-earners.
- IV. International Comparisons.

I.

Is there a standard of living of a population? In Australia we have a population of six and a quarter millions, which is roughly divisible into 1,400,000 family-groups, and these groups have annual incomes ranging from perhaps £150 to £50,000 a year or more. Obviously there must be many standards of living, even if those with the big incomes, after they have paid rates and taxes, spend only a fraction of the remainder on living and save the rest. We turn to the idea of a ruling or predominant standard of living, or the standard of what we vaguely call the great masses of the community.

The statisticians have tried to locate these great masses. But the published data of present-day Australian incomes are meagre, and such tables as are available from the Taxation Commissioners relate only to *taxable income*, i.e., income remaining after the diminishing abatement (beginning now at £300 for Federal Taxation and at various other figures for State taxation) and other concessions are subtracted by the taxing authority. Australian statisticians do not agree in interpreting these data. For instance, in June, 1927, for a conference of State Premiers called by the Prime Minister to consider national endowment of children and other matters, estimates were made by the Commonwealth Bureau of Statistics to the effect that only 2% of Australian families had money incomes above £500 a year, 5% above £400, and only

8% above £300.¹ If we could accept these figures our notions of the great masses would be much clearer. But the figures can be neither accepted nor rejected with confidence.

Another interpretation was made by myself in connection with the family endowment scheme which became law in New South Wales in 1927. To form an idea of the number of children entitled to endowment under the proposed legislation I made calculations on two hypotheses:—(1) that 46% of families had more than £225 a year, 31% more than £250, and 16% more than £300; (2) that 92% of families had more than £225 a year, 55% more than £250, and 24% more than £300. The first left for New South Wales, which holds roundly 40% of the population of Australia, the equivalent of nearly 400 000 children fully endowable under the bill in its final form, while the second left only 200,000. In these calculations those not fully endowable were treated as fractions.

Light is thrown on this question by the budget speech of the State Treasurer of New South Wales in April, 1928, in which, with the experience afforded by nine months' working of the Family Endowment Act, he gave 14% as the upper limit of the tax on the wage and salary bill necessary to meet the cost of endowment in the State during the ensuing year. As it is highly probable that the wage and salary bill lies within 10% one way or the other of £155,000,000, the amount so raised would suffice for about 150,000 fully endowed children at the rate of 5s. per week each. Although the full load of legislation of this type may not be reached until it has operated for some years, and unwillingness to submit family income to the scrutiny of officials may prevent many from claiming their rights, it is a long way from 150,000 to 300,000, which is the point midway between the two calculations above mentioned.

Further light is afforded by tables of *assessable income*, i.e., income before application of abatement and

1. Commonwealth Bureau of Statistics, *Labour Report*, 1926, p. 90.

concessionary deductions, prepared by the Government Statistician of New Zealand from returns made to the Commissioner of Taxes in that Dominion. The year 1925 showed nearly 56,000 persons and firms, excluding companies, having assessable incomes exceeding £300 a year. The number of adult male breadwinners was about 360,000. Allowing that a small fraction of these incomes belonged to women, but remembering that income derived from direct use and cultivation of land has been exempted since 1923, when the introduction of this exemption was followed by a fall of 20% in the total number of income returns, and, moreover, that dividends are not assessable in the hands of the recipient but at the source, and that interest on certain government securities is not assessable, it would seem that one might be not much over the mark in estimating that 18% of adult male breadwinners in New Zealand in 1925 had incomes exceeding £300 a year. A similar inference may be drawn from the tables for 1926 recently published. It is obvious that, as regards the middle and lower incomes, the tables of *taxable income* published by the Australian authorities are of little value in comparison with such tables of *assessable income*.

It may be thought that there is not a great deal from the practical point of view between the Commonwealth Statistician's 8% and the 18% suggested, in the light of the New Zealand data and the experience of family endowment in New South Wales, as the percentage of Australian adult male breadwinners having incomes exceeding £300 a year. The practical man may be inclined to say that to locate the great mass as some 80 or 90 per cent. below £300 a year is quite good enough, and that the statisticians may be left to wrangle about this apparently small difference.

But a little consideration will show that the seemingly small difference may be a very large one in our problem of finding the standard of living of the great masses, a problem which we have chosen to approach by the

path of income, as families, in fact, approach it themselves. From such original statistics of Australian incomes as have been published from the War Census onwards, it appears that the average income of adult male breadwinners having incomes of £300 a year or more is now about £700 a year.

Suppose for a moment what is really not true, that the statisticians all agree that the average income of all adult male breadwinners in Australia is £300 a year. This corresponds roughly with two recently published estimates of the "national dividend." If now we assume that the Commonwealth Statistician's figure of 8% refers to adult male breadwinners above the £300 limit, we have, on the upper hand, 8% with an average income of £700, and the remaining great mass of 92% must average about £265, in order that the average of all may be at the agreed £300. On the other hand, if we accept the alternative figure of 18%, the remaining great mass of 82% must have an average income of only £212. The dilemma is that the great mass of adult male breadwinners, however satisfied the practical man may be to ignore the 10% difference in its size, has an average income of £5 odd a week on the one horn, and of £4 odd a week on the other—an uncertainty of £50 odd a year in the average income of what we may have chosen to accept as the great mass.

The foregoing illustration is based on the supposition of general agreement as to the *average* income of Australian breadwinners. But there is no general agreement, even when allowance is made for differences of definition of "national income." Two estimates published within the past year or two seem to agree within £30,000,000 on a "national income" of about £635,000,000 for Australia in 1925. My own estimate made in June, 1927, of £280,000,000 for New South Wales in 1925 would correspond to about £730,000,000 for the Commonwealth, *i.e.*, roundly £100,000,000 more than the above-mentioned figure. For the year 1927 I would make a similar estimate. But although the results

of the first direct taxation of practically the whole wage and salary bill of New South Wales seem to justify this higher figure, the existing data do not permit an estimate to be made and guaranteed within 10%.

Even if we could fix satisfactorily upon a great mass of the community by determining the average income of the family groups within it, and also setting out in a series the proportions having incomes 10s., 20s., 30s., etc., per week above and below the average income, we should still find difficulties in choosing the predominant or central standard of living as derived from money income. Data of the distribution of family responsibility among the breadwinners of the community were first collected at the Census of 1921 by counting up the households according to the number of dependent children contained in them. It was found that in 39% of households, the heads of which were males, there were no dependent children under the age of 14; that 19% contained one such child, 17% had two, 12% three, 7% four, and the remaining 6% had five or more. The Census also shows about a third of the adult males in the category "never married." Now, if we fix our attention on a particular income, say, £5 a week, it is clear that there are as many different standards of living obtainable from it as there are different degrees of family responsibility among those earning it. Assuming that it is all spent, and with equal efficiency, the single man has the best material standard; the married men with no dependent children, with one child, two children, and so on, have successively lower standards. Which of these standards should be chosen as the typical or representative standard of living corresponding to the particular income of £5 a week? In a sample of 100 adult males earning this income there are roundly thirty with no dependants, thirty (including a proportion of bachelors) at the head of households containing no children, thirteen with a wife and one dependent child, eleven with two children, eight with three children, and eight with more than three

children. Judged by adult male earning units, the single man type is predominant. Judged by numbers supported, and reckoning the needs of the woman to be nearly equal in cost to those of a man and those of the average child at about a half, the type comprising man and wife only is predominant. If we take refuge, as we often do, in the communism implied when we ascribe reality to an average, we find that the one hundred adult male earners of £5 a week support in the aggregate between 60 and 70 women and some 95 children. The average of this series of standards of living, which is so far a mere abstraction, is therefore the standard which could be bought for £5 a week in respect of a man, two-thirds of a woman, and one child. This standard might be concretely set out as a regimen of commodities and services—so many pounds of meat, bread, so much dwelling room, so many shirts, suits, so many hair cuts, tram rides, and so on, per man in a given period, and corresponding quantities per woman, and per child at various ages. Using any of the accepted sets of ratios of the relative requirements of men, women and children—the differences among these sets make little difference in the result—it will be found that the cost of maintaining a man, wife and three children, for example, at that average standard is about 60% more, *i.e.*, about £8 a week. The cost of the same average standard ranges from about £2 6s. a week for a single adult to £4 10s. for a married couple without children, up to about £10 a week for a man with a wife and five children.

Whatever the sum chosen as the income representative of the Australian standard of living, whether £5 a week or some other sum, the question is how far the range of income implied by such a standard is met by the actual incomes of the families. Certainly on the whole there is some positive correlation between income and family responsibility. Indeed, the sparse income tax tabulations suggest that the percentage of men who have incomes above £300 a year should be increased by one-

third in order to get the percentage of men with dependants whose incomes exceed the same sum. No corresponding figures are available for wage-earners. But the Census of 1921 disclosed some remarkable facts: first, that the average number of dependent children (under 14 years of age) in the households of male wage and salary earners in employment was only 6% greater than the average number in the households of male employers; secondly, that the average number in the households of male wage and salary earners who were unemployed at the time of the Census was 9% less than the average for employers. Here is evidence of adaptation of family to income. But the wage earners' range of income is undoubtedly narrow. If a man has no craft, his income limit is set by the basic wage, which ranged in 1927 from £4 4s. to £4 9s. 6d. a week in the several States and jurisdictions. To get a basic wage a few shillings higher it would be necessary for the employee to move from one State to another, or in some States to induce his union to devise some method of passing from the State to the Federal jurisdiction. If a man has a craft, his wages are still prescribed by the wage-regulating authorities, and although the prescribed rates are, legally speaking, minima, they are practically and usually standard rates. Skilled wage rates range up to £7 a week for risky and specially skilled trades, but the proportion of rates above £6 a week is not large and the average weekly rate of wages, giving skilled and unskilled rates standard weights or proportions, is calculated by the Commonwealth Statistician to be £5 a week. Thus the average margin for skill, including the nil margins of the unskilled, is computed as about 13s., or 15% of the average basic wage. Overtime, which is well paid, can hardly be regarded in the long run as more than a set off against slack periods. Piece work offers greater opportunities for individual effort, but extension of this wage practice is not favoured by the trade unions. Except in mining, sheep shearing and slaughtering, linotyping

and a few building, manufacturing and packing classifications, time rates are the rule. Probably less than one-fifth of the wages bill of Australia is earned at piece rates. Nor does the wage earner appear to derive much income from savings and investments. New Zealand figures suggest that the average addition to income earned as wages or salary in case of incomes between £200 and £600 a year is only 3% of earned income. Nor do the juvenile employees contribute much to the family income—probably not more than would, if pooled with the earnings of the chief breadwinner, raise the average standard of all by 3%. With a range of income so narrow—for the bulk of wage-earning families it is probably between £4 and £7 a week—the range of standards amongst families of various sizes must be wide.

II.

Although there may be great difficulty and disagreement in setting out the distribution of income among the totality of Australian income earners—employers, employees, workers on own account and owners of “unearned” income—and in defining a general great mass in order to derive a representative Australian standard of living, there is less difficulty in treating the case of the wage-earning population. It forms a fairly compact block, with a central tendency somewhere in the region of £5 a week as the average income of its menfolk. The average weekly rate of wages calculated by the Commonwealth Statistician is £5; this calculation is open to the same objection as all averages computed to form index numbers, *viz.*, the standard weights used are usually, after a lapse of time, not the current weights, and therefore this average is not the real average. And the results of the taxation of wages and salaries in New South Wales for the purpose of family endowment suggest that the departure from the truth may be considerable. The real average may indeed be £5 10s. per week.

The fractional family (man, two-thirds of a wife and one child), by means of which the average or communistic standard has been defined, has, of course, no reality in life. But there is this curious fact, that the two real family groups which are nearest to it, those of man and wife only, and man, wife and one child, which require a little less and a little more, and have, on the average, a rather higher and a rather lower standard of living respectively, and therefore comprise somewhere between or amongst them this communistic standard, contain roughly 40% of the wage-earning population. Some may conclude that this communistic standard has claims for choice as the predominant standard, and may be taken as representative. Others may prefer to choose two standards as representative of the wage-earners, namely, the standard of the single man, which is greatly higher than the communistic standard, and secondly, a family standard, namely, what can be bought for £5 in respect of a man, a whole wife, and 1.6 children, which is approximately the average responsibility of the family man. It may be noted that the standard obtainable by working women from their wages, the average of which, with rigid weights, is 53s. a week, has a central tendency somewhat higher than the communistic standard costed for one adult.

It appears that the average or communistic standard of the wage-earners has some tangible reality. It was grasped and priced by two successive enquiring bodies composed of hard-headed, mature Australians. In 1919 the N.S.W. Board of Trade, a body constituted under an amending Arbitration Act, in which the words "living wage" were put into the statute law for the first time, determined "to examine the living wage element by element." Making separate assessments for the five sections, food and groceries, rent, fuel and light, clothing and boots, and other items, it declared a living wage of £3 17s. as sufficient for a man, his wife and two children. Later the Federal Government appointed a

royal commission, consisting of representatives of employers and employees in equal numbers, with a barrister, Mr. A. B. Piddington, K.C. (now Mr. Justice Piddington), as chairman, to enquire into "the actual cost of living . . . according to reasonable standards of comfort . . . for a man with a wife and three children under 14 years of age. . . ." The commission found the cost on 1st November, 1920—near the peak of prices—as £5 17s. in Sydney and £5 16s., on an average, in the capital cities of Australia. It is remarkable that this sum was about the actual cost for the prescribed family of five of the then current average standard of the unskilled. Research shows that the average basic or living wage current in N.S.W. towards the end of the commission's enquiry was about £3 15s. per week. The average standard of the basic wage-earners was the standard which this sum would purchase for a man, two-thirds of a wife and one child. As already pointed out, the cost of this standard for the family of five was 60% more, that is, £6 per week. It can also be shown that the Board of Trade's finding declared the year before was approximately the cost for the family of four—the size preferred by the State Court—of the average standard of the unskilled ruling during their enquiry. Perhaps, then, we may accept that a standard of living representative of the wage-earners of Australia, skilled and unskilled, at the present time, is to be found by considering what quantities and qualities of commodities are purchased by two family groups (1) man and wife, (2) man, wife and one child, for a sum in the region of £5 or £5 10s. per week. The central standard of the wage-earners lies between the two series of commodities so derived. Similarly, a representative standard of living of the basic wage-earners is to be found by considering the sum of £4 7s. in the same way, and with greater certainty, for the average *basic* wage can be calculated with less likelihood of error.

Can these standards be set out as series of specific

regimens of food, clothing and other commodities and services? Not with any hope of being reasonably near to the actual usages in recent times of any class of commodity but food and groceries, and even here, owing to lack of budgetary data, any estimate of the fraction of the total income spent on food and groceries by the groups (1) man and wife, and (2) man, wife and a child, would be for the most part a guess. The only household budget enquiries made in Australia are those of 1911, 1913, and 1918. The first and most valuable comprised some 200 budgets. Always an inadequate basis for a statement of Australian usages, it is now quite out of date. The enquiry, "by statisticians for preference," into carefully selected budgets of the families of workers, pressed for by Mr. Justice Higgins, formerly President of the Commonwealth Arbitration Court, has never been carried out. The monumental achievements of the United States Bureau of Labour Statistics, in 1890-1, 1904 and 1918, which cover some 53,000 American wage-earning families, the more recent work of the National Industrial Conference Board of the United States and the post-war inquiries in Japan, Belgium, Ireland and other countries have no parallel in Australia. The regimens set out in the report of the Australian Cost of Living Commission of 1920 are mainly compositions of conflicting expressions of opinion offered during the public inquiry; they have no foundation in actual household budgets of the wage-earning or other classes.

III.

Has there been an improvement in the standard of living of Australian wage-earners over a series of years? Reference may be made here to the experience of the Australian wage-regulating authorities, who have been trying for more than 20 years to determine a standard of living for a man with a family. In 1905 Mr. Justice Heydon, of the N.S.W. Arbitration Court, laid down as a principle to guide the Court that every worker, however humble, should receive enough to enable him to

marry and bring up a family and maintain them and himself. A living wage based on the needs of a family then became one of the objectives of the Australian Arbitration authorities. In 1907, in a judgment known as the "Harvester finding," Mr. Justice Higgins, of the Commonwealth Arbitration Court, tried to show that a wage of 42s. per week, instead of the 36s. per week which he was getting, was "fair and reasonable" for an average labourer with normal wants and under normal conditions whose family comprised "about five persons" including himself. In 1914 Mr. Justice Heydon, of N.S.W., found that the ruling minimum rate of 48s. per week was a fair living wage for a man, wife and two children. In 1919 the N.S.W. Board of Trade declared a living wage of £3 17s. as sufficient for a man, his wife and two children—this was an increase of 17s. on the existing rate. A year later, when this declaration had gradually crept through most of the State awards—it was applied by the Court case by case as the old awards came to it for variation—it was found that the hypothetical cost of living (that calculated by the index-number method) had increased by about 25%, and later that the value in Calories of the actual *per capita* consumption of the chief articles of food had increased by less than a half per cent. (being still about 11% lower than in 1911). Unemployment was increasing. It was deduced, whether logically or not, that the Board of Trade's increase of 28% in the base wage was not followed by a tangible improvement in the standard of living.

The second realistic calculation, made in 1920 by the royal commission of employers and employees under the chairmanship of Mr. Piddington, on the basis of the man, wife and *three* children as set out in their commission, was never adopted as a base wage. Although Mr. Justice Higgins had attacked "that dragon fallacy that so often raises its shattered head from the slime—that increases do no good to the wage-earners, on the

ground that they raise the cost of living proportionately," Mr. Piddington, a few days after presenting the commission's report, informed the Government that "if the whole of the additional labour cost" which would result from the adoption of the cost of living for man, wife and three children as the basic wage "were passed on to the community, the increase in prices would altogether outstrip the purchasing power of employees having a basic wage of £5 16s."—the sum calculated by the commission for the specified family.

He proposed, instead, that the basic wage should be left at about the current figure, and that all dependent children of employees should be endowed at the rate of 12s. per week each from funds to be raised by a tax on industry. A bill containing this endowment proposal, with a rate of 8s. per child and a sliding scale and income limit, had indeed passed the Legislative Assembly of New South Wales a year before, but was rejected by the Legislative Council. It was now rejected also by the Federal Government as for general application to the employee classes, but the Government did decide to try it in a modified form—with an endowment rate of 5s. per child—in the Federal Public Service, which comprised a few thousand families. In 1927, however—again at the instance of Mr. Piddington, who had the year before been appointed Industrial Commissioner of New South Wales—the State Government put a general Family Endowment Act on the Statute Book. This provides 5s. per week for children in families of non-employees as well as employees, whose incomes are about the basic wage, and will help such families towards the central standard of living of basic wage earners. The skilled man is, for the most part, excluded from the benefits. As the most recent official estimate (October, 1928) of the amount of family endowment to be disbursed in New South Wales in the year ending June, 1929, is about £1,750,000, of which roughly two-thirds may be expected to go to the wage-earners, it appears that by means of this "free income" the income of the

wage-earners with families, which may be estimated for New South Wales at a sum somewhat exceeding £80,000,000, will be increased by about $1\frac{1}{2}\%$.

It has been said that the royal road to a higher standard of living for the wage-earner is by increasing his free income. While the Arbitration Courts have tried to give effect to the living wage policy, successive Governments, Federal, State, and local, have established more and more free income. Large *per capita* increases during the past 20 years in educational and health services, workers' compensation and other benefits, the reduction of standard working hours, the establishment and maintenance of parks and recreation reserves, the development of surfing beaches and other pleasure resorts, and similar items, have been important factors in the standard of living of the masses of the population. The records of New South Wales, which contains nearly 40% of the population of the Commonwealth, are most complete in certain particulars, and the figures for this State will serve to illustrate the progress made. Its population, 2,400,000 at the end of 1927, has increased by 41% since 1911. The average nominal wage has nearly doubled. But public expenditure on education has quadrupled, from about £1,500,000 in 1911 to nearly £6,000,000 in 1927-28. The amounts paid under the Employers' Liability and Workers' Compensation Acts have increased from £54,000 in 1913 to £1,052,000 in 1927, that is twenty-fold. Widows' pensions, maternity allowances, old age and invalid pensions similarly make considerable free additions to the lower incomes, whether of employees or non-employees. Long-term advances to home makers by State establishments have helped the Australian in his ambition to own his dwelling. At the Census of 1921, 150,000 of the wage and salary earners in the Commonwealth owned their homes, 90,000 were buying them by instalments, and 279,000 were tenants. The corresponding figures for all male breadwinners were 378,000 owners, 128,000 instalment purchasers and 386,000 tenants. The proportion of

owners and purchasers was therefore 46% of the total in the case of employees and 57% in all occupational grades. The corresponding figure at the Census of 1911 was 52% for all occupational grades, a separate figure for employees not being available.

Comparison of present with past Australian standards of living is sometimes attempted by reference to the tables of "effective wage index-numbers" published by the Commonwealth Statistician. In a footnote to these tables it is explained that the variation in *effective wages* merely means the change in the *standard of comfort*, and that "this expression must not be confused with *standard of living*," which "necessarily involves a change in regimen, *i.e.*, a change in the nature or in the relative quantity of commodities purchased, or both." The tables are constructed as follows. The weekly rates of wages current in each year are taken from awards and estimated in other cases, and then averaged by giving each rate a certain weight or frequency, the system of weights selected being rigidly maintained through all the years covered by the table. It is a statistical strait-jacket, which fitted the community once. The relative number of steel workers as compared with gold miners, of employees in manufactures generally as compared with those in primary industries, of unskilled workers as compared with skilled, may have changed. Since the war Australian secondary industries have made phenomenal progress. It is argued that if the weights proper at the present time were used for all the years of the table, the relative index-numbers would not be very different. But this is beside the point. What we need is truth rather than index-numbers, and the true average rate of wages for a particular year can only be approached by ascribing to the rates current in that year the proper relative numbers of persons enjoying those rates respectively. It may be that these relative numbers are hard to get, and that the makeshift is useful as furnishing broad ideas of the trend. But this would not justify us in forgetting that

the makeshift may be five, or even ten, per cent. wrong, and cannot be pressed finely. The aggregate payments quoted above for workers' compensation and endowment of children suggest that the State finds it harder than the statistician to vary by one or two per cent. the average income of the wage earners.

The next step is to divide the index of the weighted average wage by the index of retail prices on the sound principle that if the necessity to spend is doubled, the real value of a given wage is halved. The first difficulty in using the indexes of retail prices is to choose among the rival series. If the three published series be applied to a nominal wage supposed to have increased by 6% between November, 1921, and November, 1926, the results are that the *effective wage* has remained stationary, has fallen by 4%, has increased by 7%.

There is no agreement among statisticians as to which is the best of these series; and the laymen who use them regard them as mere formulas to be preferred or rejected according to the results they give for their purposes. That this may be the soundest position will be suspected when the derivation of the index-numbers is considered, for in order to calculate them the community has been put into another rigid mould as far as possible. The statisticians have not found it possible to lay down rigid *qualities* of foods. By requiring a return of the "price of the grade or quality most frequently sold to the masses of the community," they find the prices of the grades now used, for comparison with the prices of the relatively inferior grades marketed fifteen or more years ago. Almost every article of food in common use has improved in quality. If, for illustration, the average wage has doubled and the index of retail prices has also doubled, then the *effective wage* calculated by this technique has remained stationary. As the "effective wage merely means the standard of comfort" (bodily comfort, presumably), the wage-earner is merely left with the improved quality, for his soul's satisfaction.

While allowing latitude in quality, the statisticians are nevertheless adamant as regards quantity. Not the smallest deviation is permitted by the index-numbers from the chosen *quantities* of meat, butter, bread, flour, etc. The usual argument is advanced that if the present usage were substituted throughout, the resulting index-numbers would be about the same. But, of course, neither the past nor the present usage has existed throughout. The fact is that while the artificial index of food prices was less by $1\frac{1}{2}\%$ in 1926 than in 1921, the actual cost of the current usage of the principal articles of food was 6% greater in 1926. Similarly, between 1914 and 1921 the actual increase in the average expenditure on the principal articles was 61% as against the hypothetical 76%.

There have been changes in the regimen, both in the qualities and quantities and, we may add, the utilities of the foods consumed. Already the young men and women of Australia criticise their parents' food habits. It may be that tender meat has greater utility than tough meat and greater availability for digestion. According to the footnote quoted above, a change in the *standard of living* is, therefore, involved. "But this must not be confused with *standard of comfort*," which is evidently an entirely different matter. Apart from a doubtful adjustment for non-employment, the change in the standard of comfort is found by applying to index-numbers of rigidly weighted and therefore hypothetical wage rates, the index-numbers of prices of food and shelter which are rigidly prescribed in quantity but not in quality, and are thus partly hypothetical and partly actual. The result, according to the published tables of effective wages, is an increase of 6% in the standard of comfort between 1907 and 1926.

If, on the other hand, we applied to actual wages the actual expenditure on food, shelter, clothing and all other items of household expenditure, actual in both quality and quantity, we should have an actual account of income and expenditure, and it would be possible to gauge

the standard of living, if not the "standard of comfort." This done for a large number of wage-earners would constitute a budget inquiry.

While it may be possible to measure a mysterious abstraction such as the "standard of comfort" or the "effective wage" by means of the existing index numbers, the standard of living cannot be effectively treated by this method. The index numbers are partial and inadequate; they push forward one facet of the crystal. "If it should ever be thought worth while to give much trouble to the matter," wrote Professor Marshall in 1923, "index numbers might be made much more nearly representative of real changes in the purchasing power of money." A Japanese critic recently said of the new index numbers of tariff levels that they would be more informative if some of the actual details were written in the margins. Rather than to elaborate the index numbers it would be more worth the statisticians' while to devote increased attention to actual facts of usage—of supplementary as well as principal articles—actual facts of employment and actual income and expenditure.

IV.

How does the Australian standard of living compare with that of other countries? Before proceeding to other factors, it may be worth notice as affording some data for a comparison of distribution of income that the figures for Great Britain and Northern Ireland for 1924 show 89,400 incomes exceeding £2000 per year. The Australian figures for 1923-24 show about 9000 incomes above the same income limit. As the population of Australia was about one-seventh of that of Great Britain and Northern Ireland, it appears that proportionately to population the frequency of such incomes was 40% greater in Great Britain. Again, according to the recently published estimates of Professor Bowley and Sir Josiah Stamp, wages and salaries totalled rather less than 45% of the "social income" (*i.e.*, aggregate income less certain duplications) of Great

Britain and Northern Ireland in 1924. The corresponding figure for Australia is at least 50%. These statistics must, however, be used cautiously, because of the relatively thicker paring taken off the higher incomes in Great Britain by taxation, part of which becomes free income for the working classes, and also because of the difficulty of comparing the Australian and the English pound sterling.

In the existing state of statistics it seems that no more can be said on the point of averages than that the average national income per head in Australia is near the corresponding figure for the United States and somewhat higher than that for Great Britain, if for comparison we apply the average rates of exchange. But the application to whole national incomes of ruling rates of exchange, or of par rates when the countries are on a gold basis, is an arbitrary arithmetical process, which might be justified if the theory of purchasing power parity were completely true in fact. In order to avoid the controversies surrounding this question, an attempt has been made during recent years to get down to bed-rock and make direct comparisons of the purchasing power of money of different countries as it is used by the respective inhabitants to buy the means of living. Some fifteen kinds of food much used by European peoples form the basis of these comparisons. Results were published in the *British Ministry of Labour Gazette*, 1923, and by the International Labour Office in 1926. The difficulty is that the usage of these foods varies greatly from country to country. It is admitted as one of the "important reservations" that "the budgets used in the comparisons do not make adequate allowance for the vegetable consumption in Southern European countries." This might not seem to be a fatal objection were it not part of the whole objection that the comparisons do not make *any allowance whatever* for differences in relative quantities used.

As these tables have begun to obtain a certain standing through repetition and quotation it may be worth while to explain the reasoning on which they are built. A basketful of the fifteen commodities filled in the proportions used by the average inhabitant of Great Britain is priced in London and also in Madrid, and it is thus found that the relative prices of the Englishman's basketful are such that he could get for a pound sterling in Great Britain what would cost him X pesetas in Madrid if he *stuck to his British food habits*. Again, a basketful of the fifteen commodities in the proportions used by the average inhabitant of Spain, whose consumption of meat, for example, is about two-fifths of that of the Englishman, is priced in London and in Madrid, and it is found similarly that the Spaniard could get for the same X pesetas in Madrid what would cost him within a couple of shillings of a pound sterling in London, if he *stuck to his Spanish food habits*. Hence it is deduced that a pound sterling is worth about X pesetas. An additional plausibility is given to the result by showing that it is nearly "verified" if a Scandinavian basket is priced in both London and Madrid.

These "verifications" could, however, have been foretold by any statistician. It is well known that if one basketful containing a goodly number of commodities in specified proportions be priced on two occasions, the relation between the two aggregate expenditures thus found will not be very greatly altered if another basketful containing the commodities in quite different proportions—even as they might be used in Erewhon—be substituted and priced on the same two occasions. One could go on for ever varying the baskets and "verifying" the relation and ignoring the fundamental facts that the Englishman does not use the Spanish basket nor the Spaniard the English basket nor the Scandinavian either. From a study of the diets of most of the races of mankind, including Europeans—northern, central and southern—Chinese, Japanese, Javanese, Anamese and native labourers of the Congo, Langworthy

(the American dietary investigator) inferred that "although the food may differ very decidedly, the nutritive value of the diet in different regions is very much the same for a like amount of muscular work." Paton and Dunlop, of Edinburgh, had concluded earlier that all races seem to get "something over 3000 Calories of energy and over 100 grams of proteids per man per diem."

It is impossible to put the races of mankind into a statistical strait-jacket, whether it be the Englishman's or the Spaniard's or the Scandinavian's food usage. Indexes of the relative purchasing power of the currencies of different countries based on any such hypothesis of uniformity of consumption may have a certain usefulness. But there are other factors. Account must be taken of the actual lack of uniformity. The relative usage of some foods has been measured in the past. For example, in the early years of this century the Australian ate on an average about 260 lbs. of meat in a year, the Englishman 120 lbs., and the Portuguese 44 lbs. On the other hand, the Australian then consumed and still consumes a comparatively small quantity of vegetables. While his consumption of meat per head is now 20% less than formerly, his consumption of potatoes has fallen by 40%, but of green vegetables he eats a little more now, especially in the well-served cities. Measured in Calories, potatoes are dearer than meat in Australia, and by the same gauge fruit and green vegetables are extremely expensive. The sheep requires far less shepherding in the Australian climate than the cabbage. Like other races, the Australian tends to choose the line of least effort. He accepts the defects as well as the advantages of his country, and his diet contains, according to European notions, too much lean meat and not enough green vegetables, and according to the Esquimaux an excess of both.

The indexes of relative purchasing power ignore the relative utility of the various foods in the quantitatively uniform regimen of comparison. This factor is corre-

lated to the relative usage, but it is none the less important. The word rice denotes a certain kind of grain, but it connotes a variable utility, high to the Chinese, trifling to the Australian. In buying rice the Australian and the Chinese buy what rice connotes to them respectively. They thus buy different things, and the prices of rice in Australia and China, insofar as they are determined by demand, are not really comparable. The alimentary canal of the Japanese "rikisha" man has in the course of generations so developed that it could not cope with the 190 grams of fat consumed daily by sporting American bicyclists (seven times as much as he uses himself), nor could the cyclists' canals cope with the "rikisha" man's distending rice consumption. But the total energy value of the daily ration is about the same in both cases, namely, 5000 Calories. Let those who have put their faith in these mechanical indexes compare the standards of living of a tiger and a giraffe. Both in their prime are well fed, sleek and efficient. But the food of each is unobtainable by, and, indeed, nauseous to, the other.

CHAPTER III.

DEVELOPMENT AND MIGRATION.

F. A. BLAND.

- I. Post-war Migration.
- II. Australia's Attitude Towards Migration; Empire Settlement Act 1922; Australian Migration Machinery.
- III. Report of British Industrial Transference Board.
- IV. Empire Marketing Board; Australian Marketing Legislation.
- V. Development and Migration Commission.
- VI. North Australia Development Commission.
- VII. Conclusion; Appendices.

I.

The readiness with which the Dominions rallied to the side of Britain during the Great War rekindled in many the enthusiasms of their young manhood for the project of an organised British Commonwealth. No longer was it mere food for academic discussion and pedantic dialectics. Here was the fact of common sacrifice for common ideals. Surely it predicted something more logical and more purposive than the loose arrangement based on sentiment which had hitherto been the British Empire. Many an audience was thrilled by political speeches which painted the possibilities of a Commonwealth rehabilitated and strengthened by the conscious development and exploitation of its diversified resources. The Dominions were pictured as having a mere handful of people occupying "millions of square miles of the richest lands in the world—boundless plains, forests without end, water and coal beyond computation," while, in England, "three-quarters of her people were penned, confined and congested in a little corner of the Empire." What better policy could be conceived than to rectify this unequal distribution of population and convert those who were unwilling burdens upon the British community into Dominion producers who would

be a source of wealth and strength alike to their new home and to their old? So, then, send forth men and women to new conquests in the Dominions, where they would win for themselves health and wealth, confidence and content, and "winning these things for themselves, they would win them no less for those who remained, and send the life blood of new trade, of new hope, of a new vision of Empire, pulsing through the veins of the old Mother Country."¹

Captivated by these visions, Empire ministers embarked upon the task of migration and development. But they were still under the spell of war conditions, when masses of men were moved, and millions of money spent at a word from the General Staff. Soon it was found that mass movements of men and capital were inappropriate tactics for migration and development. And, as statesmen became disillusioned, they were confronted with new difficulties arising from a survival of war psychology on the part of the ex-service men who were being reassimilated into civilian life. Group settlement plans, for example, were handicapped, not merely by reason of the kind of land chosen, but also because soldier settlers were unable quickly to readjust themselves to novel rural conditions. Life in the trenches had not been calculated to develop initiative and judgment, upon which successful farming so much depends. And the congregating of ex-service men on settlements brought out, in its least pleasant forms, a class consciousness and an unreasoning demand for preferential treatment, which made the task of administration supremely difficult.

Lapse of time has brought its compensations, and if the early hopes have been destroyed there has emerged a better realisation of the methods by which migration and development can succeed. It is now recognised that the movement of men must be preceded by systematic inquiry and wise development, that the study of markets and marketing is essential to successful settlement. "Men, money and markets" is still the slogan for the

1. C.f. the speeches by Lt.-Col. Amery on the Empire Settlement Bill, 1922.

Empire, but the restrained attitude towards this objective in 1928 holds far more promise of success than did the impetuous enthusiasm of 1920. It is the purpose of this chapter to trace the transition, and to indicate something of what is now being attempted to solve the problem of migration and development in the Commonwealth of Australia.

II.

Until the third quarter of the nineteenth century European emigrants had been mainly from the northern half of the continent. But since then the Latin-Slav type has tended to predominate, especially in the flow to the United States. Checked by the war, this South European flood was permanently diverted from the United States by its Immigration Laws of 1921 and 1924. Where, then, was it to flow? The answer to this question vitally affected certain of the British Dominions, within whose borders are to be found some of the most attractive of the sparsely occupied lands of the globe.

In Canada the difference in the quality of its more recent arrivals is already causing trepidation, for, according to a writer in the *Round Table*,² "everything points to an influx . . . sufficiently great to have a far-reaching influence upon the future of Canada, either for good or for ill." Canada, with its population only 56 per cent. British, and its proximity to the densely peopled countries of Europe, may naturally be apprehensive that the Latin-Slav migrant, now predominating, may vitally alter her existing racial characteristics. Even Australia and New Zealand, further removed, and almost exclusively British in stock, are not without anxiety. The Commonwealth amending Immigration Act, 1925, betrays this feeling. It expressly seeks to safeguard the selective policy hitherto followed. It empowers the Commonwealth Government to restrict or prohibit, by proclamation, immigration from specified countries for stated periods, if the authorities con-

2. June, 1928, p. 609.

sider that economic, industrial or other conditions require such action, or if the persons specified in the proclamation are thought unsuitable for admission, or unlikely to be readily assimilated as Australian citizens. The Commonwealth has not used the powers with which it has been armed, but uneasiness at the large number of immigrants from Southern Europe has forced its representatives to enter into agreements to restrict the number of such migrants. The rapid increase in the number of Italian immigrants has attracted particular attention, and aroused spirited protests, especially from organised Labour.³ In 1920 there were 645 arrivals from Italy. In 1925 the number had increased tenfold, and in 1927 there were 7884. As a result of the negotiations mentioned, the number for 1928 is being limited to about 3000, and confined to female relatives, or to fathers or sons of persons already settled in Australia. The figures for the March quarter of 1928 reveal the fact that Italians exceeded all other migrants from Southern Europe, numbering 648, as compared with 1764 for the corresponding quarter of 1927. British immigrants made up 81 per cent. of the net gain of 9183 for the March quarter, 1928, thus presenting a marked contrast to Canada.⁴

During the period 1921-1926 the population of Australia increased by 10.81 per cent., as compared with 8.14 per cent. for Canada. In the same period Australia's net gain from immigration was rather above the average of the last sixty years.⁵ This is not widely known, nor is it always appreciated by those who complain so loudly about the slowness in filling "our empty spaces."

3. The reasons for the protests vary. Many Italians are employed as rural workers, and a marked preference is often shown for their services. In railway construction camps and such public works, strong protests have been raised by labour leaders against the displacement of local unionists.

4. See report of Overseas Settlement Committee, Cmd. 2847, 1927, p. 5.

5. See article by C. H. Wickens, Commonwealth Statist, in the *Economic Record*, Vol. 1, 1925. For the period 1860-1924, immigration represented 24 per cent., and natural increase 76 per cent. of the total increase in population. For the period 1921-1924, the figures were 30 per cent. and 70 per cent. respectively.

For example, Australia ranks second only to New Zealand in rate of population increase for the period 1881-1921, the figures being: New Zealand, 23 per thousand; Australia, 22; United States of America, 19; Canada, 18; Japan, 11; England and Wales, 9.

It is necessary to warn overseas readers of this chapter that Australians speak with discordant voices on the subject of migration, although they present an almost united front where White Australia is concerned. On the one hand, there are the manufacturers and primary producers who clamour for increased population, with a view to increasing the home market for the consumption of their products. Generally, these people would preserve existing standards in selecting migrants, but they are predisposed to increased numbers. On the other hand, there is a not inconsiderable body for whom "numbers" have no attraction. This section is apprehensive that "assisted migration" will not ensure the continuance of the alert, virile, and progressive type which has hitherto, as a rule, been attracted to this country. They doubt whether government-aided settlement on lands, which are often not as good as parts already occupied, will be as successful as when undertaken by individuals of the pioneer temperament. It is only in Western Australia and Queensland that new land is good, and there settlement is proceeding rapidly. The Federal Labour Party disclaims any desire to shut out new arrivals for whom it acknowledges there is ample room, but it emphasises that immigration is a matter for the States. Recently it has been highly critical of the attempts of the Commonwealth Government to stimulate State activities. The rank and file of the industrial labour movement, if not actually hostile to immigration, undoubtedly fears that large additions to the labour supply may increase unemployment, depress wages and standards of living, and imperil "union solidarity" during industrial turmoil. Finally, there are those, of whom the Bruce Ministry is representative, who see in increased immigration a definite

safeguard to our national existence. For them a larger population spells added security, but they also believe that the preservation of our existing social and economic standards is not incompatible with an accelerated rate of flow of immigrants. For this they would carefully plan, and, by systematically and scientifically developing our resources and reducing costs of production, provide at once more attractions for immigrants and more likelihood of their successful assimilation. To such people, the Empire Settlement Act, 1922 (Great Britain) opened a new chapter in Empire development and migration, and in 1926 Australia constituted its Development and Migration Commission, the better to facilitate the objects of that Act.

Before the conclusion of the war an Empire Settlement Committee was appointed, representative of the whole of the British Commonwealth, to "consider the measures to be taken for settling within the Empire ex-service men who may desire to emigrate after the war." Its report,⁶ submitted in August, 1917, emphasised that emigration was a matter of Empire concern, and should be directed in the light of Imperial necessities; that the emigration of ex-service men should not be divorced from the general question of emigration; that Government financial assistance should be provided, and that a central emigration authority, representing British and Dominion Governments, should be constituted to control Empire settlement and development. Peace found the Empire unready for joint administrative machinery, but a British Government Emigration Committee was appointed to advise the Secretary of State for the Colonies, and, later, the Overseas Settlement Department was established to carry out the policy of the Home Government in matters of emigration and settlement. The Imperial Conference of 1921 reviewed these activities. It affirmed that state-aided Empire settlement was sound in principle, and expressed the hope that the Government of the United

6. Cmd. 8672, 1917.

Kingdom would early secure the necessary powers to enable it to carry out its part in any schemes agreed on, "preferably in the form of an Act, which will make clear that the policy of co-operation now adopted is intended to be permanent." The Dominion Governments, for their part, were recommended to consider how far their existing legislation, on the subject of settlement and immigration, might require modification or expansion to secure the most effective co-operation.

Had the British Government required a spur to activity, trade depression, industrial turmoil, and unemployment in England provided it. In Australia ministers found themselves pressed to honour imprudent war promises, and hastily embarked upon extensive settlement schemes, which required heavy capital outlay. The Empire Settlement Act, passed in May, 1922, seemed to promise relief for both countries. It authorised the Secretary of State for the Colonies to co-operate with the Dominion Governments, or other organisations, in promulgating agreed land settlement schemes, or in facilitating migration by assisting with passages, initial allowances, training, etc. Contributions might be by grant or loan, provided that the share of the Imperial Government did not exceed half the cost, nor extend beyond fifteen years. From the explanations given by Lt.-Col. Amery in the House of Commons it appears that the Government intended to limit its contribution for 1922-23 to £1,500,000, and for each of the fourteen succeeding years to £3,000,000. One-half of this sum would be devoted to facilitating migration, which was expected soon to reach between 60,000 and 80,000 persons annually, and half to land settlement schemes for which the British Government's contribution would average £300 per settler, *i.e.*, one-third of the cost. The House of Commons was asked to accept the measure "as the first step forward on the right road to economic recovery" . . . and "as a measure of Imperial defence, the most economical, the least provocative, and the surest."⁷ Within a few months Victoria, New South

7. See New South Wales Legislative Council papers, 13/9/1922.

Wales and Western Australia had submitted "agreed" schemes for land settlement. Western Australia promulgated its well-known group settlement schemes, which aimed to settle 75,000 persons at a total cost of £6,000,000, to which Great Britain, the Commonwealth and Western Australia each undertook to contribute one-third. New South Wales arranged to provide 6000 farms, at a cost of £6,000,000, on similar terms. Generously conceived, the various plans were hurried in execution. The chastening story of waning hopes and dissipated capital is well known, and makes sad reading in the pages of many Committees of Inquiry.⁸ It is unnecessary to recapitulate it here. It showed the danger of rushing into expensive and extensive land settlement schemes without the strictest preliminary survey of all the factors essential to success. New South Wales was saved from an intensification of the difficulties which had confronted it in the settlement of its own soldiers, by the appointment of a Migration Advisory Committee of expert officials, who trenchantly criticised the proposals. They pointed out that New South Wales experience had shown conclusively that £1500 was insufficient to provide, on the average, land, improvements, stock and plant for one settler. If the new settlers were to be restricted to the advance proposed in the agreement, it would be desirable for them to possess some private means.⁹ In the forefront of their criticisms the Committee raised the problem of marketing and Imperial preference. The agreement provided that the Commonwealth should ask the British Government to attack the question of marketing. The Committee held that, unless this meant Imperial preference for irrigation products, it would be courting failure to open new irrigation farms for producing dried and canned fruits. It was also pointed out that the existing accommodation on agricultural training farms was inadequate

8. See, e.g., Report of Royal Commission on Group Settlements in Western Australia, 1925, *Economic Record*, November, 1925, p. 73; and various reports on Settlement of Returned Soldiers, New South Wales.

9. See New South Wales Legislative Assembly papers, 18/10/23.

to enable any increased number of trainees to be instructed, although such instruction was essential to successful settlement. These difficulties, and a change in the political situation, combined to delay the operation of the New South Wales scheme of 1922. They also paved the way for a reconsideration of the terms of the agreement of June, 1923, between the Commonwealth and the British Government. The revision was accomplished in April, 1925, when what is known as the £34,000,000 agreement was signed by the Commonwealth and the British Governments. It provided that not more than £34,000,000 loan money, including the sum of £14,000,000 already made available to Victoria, New South Wales and Western Australia under the earlier agreements, might be made available by the Commonwealth to the States, in respect of schemes which would make settlement areas available, or which would provide for the construction of public works, tending to develop or expand settlement areas, or to increase the capacity of already settled areas to carry a greater population. It was hoped, by this means, that Australia would settle 450,000 migrants from the United Kingdom within ten years. This new agreement was more acceptable, in that it liberalised the assistance which might be given to farm settlers, and it enabled provision to be made for developmental works which were incidental to land settlement. The contributions of the Imperial Government, which were not to exceed a total of £7,083,000, were to take the form of a payment of £130,000 for every £750,000 of loan money issued by the Commonwealth Government and expended by the State Governments on the work of development and settlement. For each such contribution of £130,000, 10,000 assisted migrants from the United Kingdom, including 750 families, averaging five persons to each family, without capital, were to be satisfactorily settled in the State concerned within ten years. In addition, the Imperial Government undertook to defray one-third of the capital and running costs of new or existing

reception or training depots established in Australia for the welfare of assisted migrants. As between the States and the Commonwealth, the loan moneys were to be made available to the States at an interest rate of one per cent. for the first five years, and at one-third the effective interest rate for the second five years.^{9a}

The States also undertook that, for every £75 received, one assisted immigrant, other than a farm settler, should sail direct from the United Kingdom to the State in question within ten years from the date of the agreement, and be established satisfactorily. In the case of an undertaking for the settlement of persons on farms, for every principal sum of £1000 issued to the State Government in pursuance of the agreement, it would provide one new farm, arrange that, within twelve months from the issue of the loan of £1000, one assisted immigrant family, averaging five persons, without capital, should be satisfactorily settled, and should allocate at least one-half of the new farms to assisted migrants who had sailed from the United Kingdom since the 1st June, 1922, and had not been resident in Australia for more than five years since the date of allocation.

At the Imperial Conference of 1926 the terms of the Agreement were again reviewed, and still further liberalised. For example, the Commonwealth Government was put in the same position as a State in respect of proposals for settlement in the Territories under the

- 9a. (a) The total amount of contributions paid by the British Government to September, 1928, under Clause 5 of the £34,000,000 Agreement (i.e., to pay £130,000 for every £750,000 advanced by the Commonwealth) is £655,776 0 0
- (b) Total amount paid by British Government to September, 1928, as contribution towards capital cost and maintenance of migrant training farms £30,257 0 0
- (c) Total amount paid by British Government since inception of the joint Commonwealth and State Migration scheme in 1921 up to 30th June, 1928, by way of free grants of passage money to assisted migrants £1,182,298 0 0
- (d) Total amount contributed by British Government since inception of the joint Commonwealth and State Migration scheme in 1921 up to 30th June, 1928, by way of passage money, and landing money loans to assisted migrants £356,367 0 0

jurisdiction of the Commonwealth; the amount of loan money for farms was increased from £1000 to £1500; and the average family was to be reckoned to comprise four instead of five persons.

We may now turn to a discussion of the Commonwealth immigration machinery. Before 1920 the States controlled immigration activities. In that year they agreed that the Commonwealth should assume control overseas, and accept financial responsibility for the recruitment, medical examination, and transport of all assisted migrants. The States, for their part, undertook the reception, employment, and after-care of migrants. Save for the Federal Territories, the States control the means for absorbing immigrants, and they hold the key to the situation, in that the Commonwealth may only introduce such immigrants as are requisitioned, or whose nominations have been endorsed by a State.¹⁰ Non-British or non-assisted migration is under separate administration. These persons pay their own passages, and are admitted if, and when, they conform with the provisions of the Commonwealth Immigration Laws.

Before the war the States assisted in providing passage money for migrants, paying £8 towards the minimum third class fare, which then stood at £14. When the joint Commonwealth and State scheme became operative in 1921, the fare had risen to £38. The Commonwealth made a grant of £12, and, in addition, made loans, if necessary, towards the rest of the passage money. Under the terms of the Empire Settlement Act, 1922, the British and Commonwealth Governments agreed to contribute £22 towards the minimum fare, which had then fallen to £33. After the Imperial Conference of 1926, they provided free passages to approved female migrants who would undertake to engage in domestic service for twelve months after their arrival in the Commonwealth. Assistance towards passage money ranges from £16/10/- (*i.e.*, half the amount of

10. See, on the subject of Assisted Migration, a booklet, issued by the Development and Migration Commission, and the Annual Reports of the Australian High Commissioner in London.

the fare) to the full fare for domestic servants, save that the British Government does not contribute where the migrant has personal capital of £1,500, plus £250 for each child. The total contribution by the Commonwealth towards fares amounted to £1,037,164 for six years ending 30/6/27, in addition to loans of £372,661, of which almost two-thirds had been repaid. Free rail tickets are also provided by the Overseas Settlement Committee to migrants whose homes are more than forty miles from the port of embarkation. On arrival in Australia the State Governments provide free rail tickets to persons proceeding to country districts.

There are two main classes of assisted migrants—nominated and selected. “Nominated” migrants are those nominated by friends or relatives resident in Australia. Applications are submitted through the State Immigration Offices, and the nominators are held responsible for the welfare of their nominees on arrival, so that they shall not become a burden upon the community. “Selected” migrants are those who are recruited by the Commonwealth at the request of the State Governments.¹¹

The introduction of boy migrants, whom many think very desirable because of the ease with which they may be assimilated, has been undertaken by various organisations, the more important being the Big Brother Movement, the Salvation Army, the Dreadnought Trustees in New South Wales, the Church of England Council for Empire Settlement (Queensland Branch), the Boy Scout Movement of Victoria, and the Young Australia League of Western Australia. A number of after-care associations, some of which are subsidised by the various Governments, also exist for ministering to the welfare of migrants after arrival in the Commonwealth.

Press criticisms following the report of the British Industrial Transference Board in July, 1928, suggested that the required standards of age, health, physique and

11. See Appendix II. for respective numbers. Nominated immigrants far exceed those selected on behalf of the States.

capacity are unduly exacting. The Commonwealth repudiates the charge, and points to the conditions likely to be experienced by new settlers in Australia, and to the amount of financial assistance provided. This, it is held, justifies the right to pick and choose, though, obviously, it restricts the flow. The Commonwealth has, however, modified its medical examination of intending migrants by appointing permanent medical officers, and a fee is charged only in the case of those accepted.

In view of Australia's preference for domestics and for persons willing to "go on the land," various training centres have been established in England to fit persons for these occupations. Thus a domestic training centre at Market Harborough (Leicestershire) has been established for young women who contemplate migrating as domestic helpers. The cost of the centre is being borne equally by the British and Commonwealth Governments, provided that maintenance does not exceed £5000 per annum, and the capital cost does not exceed £2000. For young men who contemplate farm work, residential training centres have been established at Brandon and Claydon, in England, and at Richhill, in Ireland, by the Overseas Settlement Committee, in conjunction with the Ministry of Labour. The British Government meets the entire cost. The Commonwealth has been prepared to co-operate to the extent of making available some Australian instructors and typical farming implements, but it refuses to pay any money for maintenance. An attempt is made to introduce an "atmosphere" approximating to Australian farm life, and, according to the correspondent of the *Sydney Morning Herald*, the instruction given is well calculated to render a trainee useful to Australian farmers.

As a result of the report of the Industrial Transference Board, the Secretary of State for the Dominions has intimated that the British Government proposes substantially to increase the scope of training for overseas settlement, and to contribute more than 50 per cent. He also hopes to encourage voluntary societies

and municipalities to co-operate in training youths. If so, 2000 boys, 7000 single men, 2500 families, and 2000 single women would be annually trained on lines ensuring acceptance in the Dominions. He contended that, if emigration were to be extended, emigrants would have to be given more than the prospect of working as farm labourers.¹²

What, it may now be asked, has all this machinery accomplished? It has cost the Commonwealth for administration, passage money and loans for fares, for the period 1921 to 30/6/27, £1,648,064, or a sum of £10 11s. 5d. for each of the 162,000 assisted migrants.¹³ For the year 1927 the net immigration figures were 38,577 British and, in addition, 10,347 of other nationalities, who came unassisted. Net Italian migration was 6500. Small wonder that the Overseas Settlement Committee in its report for that year expresses disappointment. "It is surprising," says the report, "considering the restrictions upon State assistance, that the numbers have been so large, but they are not large enough to meet the situation, either in Britain or the Dominions. Nor, on the present lines, may any substantial increase be expected, although the situation demands a more rapid transference of population from Britain to the Dominions." But are there any "other lines" which give promise of better results?

III.

Mention must be made of the situation which has arisen from the report of the Industrial Transference Board, which may result in a further modification of the £34,000,000 agreement. The report, which was prominently before the public of the Empire in July, 1928, by reason of its criticism of Dominion migration methods and machinery, expressed "disappointment and astonishment at the slow rate of settlement of Britons

12. For a discussion of the openings available to migrants to Australia, see excellent articles in the *Round Table*, March, 1922, p. 416, and December, 1923, p. 153.

13. See Appendix I., showing the total figures for each State, and III., for classification according to occupation.

in the Dominions.” According to a press report, it was stated that, “when the miners are convinced that their only salvation is migration, they are confronted with a stone wall in Canada or barbed wire entanglements in Australia.” Other press strictures referred to the evident preference for non-Britons, since so many were so readily being absorbed.

British and Australian ministers were prompt to notice the matter. Mr. Baldwin made it clear that Britain did not want to shift her unemployment problem to the Dominions simply by transferring persons who were out of work. When a man contemplated his prospects in England, and compared them with his chances overseas, his was the right to choose whether to stay or to emigrate. If he decided to emigrate, then he ought to have facilities placed at his disposal to do so. What really mattered was the likelihood of a man making good in his new home. In any case, the British Government intended to adopt a more active policy of migration, both under the Empire Settlement Act and otherwise.¹⁴ Mr. Bruce, on the other hand, reiterated, on behalf of the people of the Commonwealth, “that our greatest desire is to have an ever-increasing flow of British people into Australia.” But such flow must not be at the expense of our national health by lowering the standards of physical fitness at present required of migrants. He recalled his statements to the Imperial Conferences of 1923 and 1926 that Australia could not absorb migrants from Britain much in excess of the number at present arriving unless additional capital were supplied and markets assured. “Australia’s great need to-day,” he said, “viewed from any standpoint, is population, but we can economically absorb that population only by opening up and developing our natural resources, whether mineral, pastoral, or agricultural, and progressively expanding our secondary industries. How rapidly we can do these things is dependent upon

14. Cable to Australian Press, 24th July, 1928.

the capital available for such purposes.”¹⁵ The Commonwealth Government was still prepared to spend money on developmental works of a national character, although its capacity to bear the burden of interest so involved was limited. Would it not be more profitable for the British Government to assist the Commonwealth to undertake this development, rather than to continue its policy of spending £40,000,000 to £50,000,000 annually in unemployment relief in Britain? The former policy would create avenues of employment, which would tend to reduce unemployment in England, because of our added capacity for absorption of migrants, while the latter would be likely still further to debilitate the morale of persons accustomed overlong to the receipt of charitable relief. Later pronouncements by British ministers would seem to indicate that Mr. Bruce’s suggestion has been noted. Both Mr. Baldwin and Mr. Bruce believed that the visits of Lord Lovat, Under-Secretary for the Dominions, and the four leaders of British industry would help to harmonise the policies of their respective Governments and facilitate the accomplishment of the objects that each had in view.

There is much to be said for Mr. Bruce’s further suggestion that private capital investment should be encouraged to supplement Government loan expenditure. Spread over ten years the £34,000,000 agreement for “settlement” is a small sum compared with the loan moneys annually raised by the States and the Commonwealth. For example, for the year 1927-28 the Commonwealth Loan Council raised £40,470,000 abroad. Some of this, of course, was to liquidate old loans, but the New South Wales Parliament approved for the same period Loan Estimates of £11,764,437, all but a few thousands being for ordinary developmental works,¹⁶ *e.g.*, Railways, Harbours, Water Supply and Irrigation.

Mr. Bruce wants more private British capital to be invested on a scale ample enough to exploit the mineral, pastoral and agricultural resources made available by

15. Speech to the Sydney Chamber of Commerce, 26th July, 1928.

16. See chapter by Professor R. C. Mills elsewhere in this volume.

government roads, railways, and water conservation schemes. In Western Australia, Queensland, North Australia and in the Murray River Basin excellent openings exist. Some have seen in Mr. Bruce's restatement of the developmental position a tardy recognition of the fact that State-aided fruit-growing and farming have definite limits and serious reactions upon the settlers who are not subsidised. The New South Wales irrigation areas and the Western Australian Group Settlement schemes provide ample confirmation of this.¹⁷

IV.

"The great problem of the Empire is one that I put into three words—men, money, and markets," said Mr. Bruce at the Imperial Conference of 1926. He has often averred that British Ministers insufficiently appreciated the essential connection between migration, production and markets. They were inclined to emphasise migration. To him, the problem of marketing was paramount. This fact dictated Australia's motion at the 1923 Conference to appoint an Imperial Economic Committee "to consider the possibility of improving the methods of preparing for market and marketing within the United Kingdom, the food products of the overseas parts of the Empire, with a view to increasing the consumption of such products in the United Kingdom in preference to imports from foreign countries and to promote the interests of producers and consumers." The investigations and reports of the Committee have amply justified its creation.

In 1923 Mr. Bruce's vigorous advocacy of preferential tariffs for Dominion products had won the acquiescence of British Ministers, but it lost them their seals of office. Their resumption of power after a short eclipse was conditioned by a pledge to the electors which precluded the imposition of effective preferential duties. The reconciliation of their pledges to the Dominions with those to the British electors in 1924 was achieved

17. See report by Mr. Justice Pike and the work of the Reclassification Boards of the Murrumbidgee Irrigation Areas, 1927-28.

by the constitution of the Empire Marketing Board in 1926. The money value of the preferences promised to the Dominions, estimated at about £1,000,000 per annum, was allocated to the work of that Board, made non-surrenderable, and placed at the spending discretion of the Secretary of State for the Dominions. The Board has the assistance of the Economic Committee, thus ensuring a Dominion *liaison*. Its functions include the making of grants for scientific research into problems of production and marketing; the initiation and development of economic investigation and intelligence; other schemes for the encouragement of production and marketing; and a publicity and educational campaign. The last-mentioned activity has been directed towards encouraging voluntary preferences for Empire products by British consumers, and has already been attended by much success. The means adopted have been advertising, poster displays, films, exhibitions, and the organisation of Empire shopping weeks. The research work of the Board has been most important. For example, one of the most urgent problems confronting the Australian producer is the shipment in cold storage of meat, fruit, wine and, indeed, all perishable foodstuffs. Science has not yet been able to ensure that the product will emerge from cold storage in a state as satisfactory as when it was deposited. The losses entailed at present are very great. The Board has, therefore, made grants to the Low Temperature Research Station at Cambridge University for the prosecution of investigations into this problem, and assistance is being provided to other bodies interested in the same question. To find means effectively to control the ravages of pests in crops would be of incalculable value. The Board has, therefore, subsidised the Imperial Bureau of Entomology, which has been doing valuable work in that direction. Other branches of the work of the Marketing Board include research into problems associated with pasture and stock-raising, tropical and sub-tropical agriculture, fruit-growing, dairy and poultry products. The

guiding principle animating the Board has been that assistance shall be provided at the most effective points, that results shall be made available to all interested parties throughout the Empire, and that efforts shall be canalised and directed towards the solution of the more immediately pressing problems. The Board has undertaken also the investigation of methods of marketing and distribution with a view to the elimination of waste. These operations are certainly of more importance ultimately than the more easy course of imposing tariffs to ensure preference to Dominion products, which may easily cloak inefficient methods of production and marketing.¹⁸ The Australian representative on the Marketing Board suggests that the Board will not be long content merely to make financial grants to research institutions, or to collect information. It will inevitably build up a policy which must be of the greatest significance to Empire producers, 80 per cent. of whom, it is estimated, are directly dependent upon agricultural pursuits.¹⁹

In Australia the problem of marketing has been approached from the standpoint of controlling the product by Boards representing the producers and the Government, with a view to stabilising the price in the local market, and guaranteeing the quality of the product for export. For example, in Queensland there was established, in 1922, a Council of Agriculture, representing primary producers and Government experts. It instituted a system of compulsory co-operation for the marketing of primary products. Twelve major primary products are now marketed under a system of control, and it is significant of the confidence which the producers have in the system that, in each case in which a Marketing Board for a product has been established, it has been reconstituted for a further term.²⁰ In New South

18. On the difficulties associated with Tariff preferences and Imperial fiscal policies, see *Round Table*, March, 1924, p. 233.

19. On this subject, see the reports of the Imperial Conference, 1923 and 1926; the report of the Empire Marketing Board; an article in the *Economic Record*, 1928, by F. L. McDougall, and the report of the sub-committee of the Board of Agricultural Economics, 1928.

20. See reports of the Queensland Director of Marketing.

Wales a conference of producers and consumers was convened in 1926, which discussed problems of marketing. As a result, legislation was enacted which closely follows the Queensland measure, and a Government Department, with a Director of Marketing, was constituted in 1927.²¹

The Commonwealth Department of Markets was established in 1925, and the relation to migration was recognised by placing it under a Minister whose portfolio is that of Markets and Migration. The Department confines its activities to matters relating to marketing and trade publicity in respect of goods exported or intended for export. Practically all foodstuffs exported, except wheat and flour, are regulated as regards preparation, manufacture, grade, quality, packing and labelling, thus enabling them the easier to compete with those of other countries. Nevertheless, complaints periodically arrive from London of faulty processing, indifferent grading, and inferior quality, particularly of dried and canned fruits,²² which indicate the need for improvement if Australia is permanently to capture the custom of the British consumer.

The war familiarised everyone with the system of pools and controls for primary products, and the various Marketing Acts mentioned above have but provided official sanction for and supervision of such devices. The rapid development of Australian irrigation and closer settlement areas has resulted in the production of an ever-increasing exportable surplus. To ensure a profitable price for this surplus, and to avoid the disorganisation of prices in the home market, various methods have been adopted for different products. The principle underlying them all is that, since wages and the prices of locally manufactured goods are removed from the field of intense overseas competition by means of Arbitration Courts and Customs Tariffs respectively, the primary producer is entitled to a fair Australian price,

21. See the pamphlet prepared for the Conference, and the report of the Conference, New South Wales Government Printer, 1926.

22. See, for example, report of the Scottish-Australian delegation, 1928.

based on the prevailing standard of living for that part of his output which is consumed locally, while the local consumer should pay a price which will enable the exportable surplus to be marketed abroad profitably. The principle may best be illustrated from the simple conditions of the butter industry, for which there is a voluntary stabilisation scheme. Since January, 1926, a bounty of 3d. per pound has been paid on all butter exported. The bounty is financed by a levy of 1½d. per pound on all factory butter produced. The producer thus gets export parity plus a bonus of 3d. per lb. for all butter exported; the result is that during the export season the local consumer pays about 3d. per lb. more than if the local price were determined by export parity. The stabilisation scheme benefits the producer by ensuring him a profitable market, even for his exportable surplus. Both producer and consumer escape serious fluctuations in price levels. At the same time, the danger of such a system cannot be overlooked, for the producer might raise the price to the local consumer to any figure estimated to make export profitable, the only limit being the price at which imports might be landed after paying the customs duty imposed. In the case of butter, this is 6d. per pound.²³

V.

The appointment of the Development and Migration Commission in 1926²⁴ vindicated the sincerity of the Commonwealth Government's anxiety to accelerate assisted migration from Britain. Introducing the measure, Mr. Bruce characterised Australia as one of the least developed countries of the world. Indeed, we had "never really faced the problem of development." This was,

23. On this subject, see the *Economic Record*, February, 1928, especially the article by Mr. L. F. Giblin, Government Statist of Tasmania, who makes estimates of the cost of marketing control to the local consumer. See, also, report upon Dried Fruits by the Development and Migration Commission, 1927.

24. The prestige of the members of the Commission is very high. The chairman is Mr. H. W. Gepp, formerly General Manager of the Electrolytic Zinc Corporation, and his colleagues are Mr. W. P. Devereux, who has wide pastoral and financial experience, and Mr. J. Gunn, formerly Labour Premier of South Australia.

then, the dual task of the Commission—development as a national necessity and as a direct means of absorbing more immigrants. It was to survey our existing economic conditions; to investigate the prospect of new industries, primary and secondary; and to formulate plans for the most effective and rapid methods of utilising our resources. We should, then, have authoritative information with respect to Australia's needs for labour and the prospects of effectively absorbing overseas capital. It was to take charge of the migration machinery, and to act as the investigating authority of the schemes proposed by the States under the £34,000,000 agreement. In a word, it should seek to become a "national clearing house for all ideas and schemes bearing upon economic development."

There is no question that the Commission has taken a serious view of its responsibilities. Alive to the fact that a good deal would depend upon its initial showing, it has studiously refused "to sacrifice the more remote and far-reaching achievements to the more immediate and spectacular." For example, although the States had submitted up to the 30th June, 1927, schemes under the Migration agreement which involved an expenditure of more than £16,750,000, the Commission had only recommended approval of works estimated to cost £6,730,000. Works commenced or actually carried out up to June, 1928, totalled £4,930,000.²⁵

The following quotations from the first *Annual Report* of the Commission will indicate its methods and the considerations which have dictated its recommendations:—

"Whether the Commission has been investigating a particular industry already in existence, or a scheme for development embracing new productive industries, a detailed survey has been necessary to include methods of production and transportation, prime costs, availability of markets and marketing methods, and

²⁵. See first *Annual Report* of the Commission for the year ended 30/6/27, *Federal Hansard*, 13/9/28, p. 6657, and Appendix IV. to this chapter.

economic research as to the value of the industry in the sphere of world production and consumption."

"Australia may be eminently suited in the matter of soil, climate, and other factors necessarily precedent to the production of a marketable commodity in large quantities, but it is of little avail to Australia in a national sense if the quantity be increased and the ultimate reward of industry, viz., disposal at a profit, is lacking. Indeed, the question of markets is, in the last resort, an all-important one, and, whilst access to a profitable market is the ultimate goal of the producer, the question whether such goal can be vouchsafed the new units of production proposed within the general scheme of development is one of primary significance, and is a condition precedent to the adoption of any scheme."

The mere enumeration of the Commission's operations covers several foolscap pages in the report. Here it will be sufficient to mention some of the more important investigations and reports to indicate the scope and variety of its activities. It has furnished a lengthy survey of Unemployment and Business Stability in Australia, another on the Gold Mining Industry of Australia, a third upon the production and marketing of dried and canned fruits, and a fourth upon the Queensland Dawson Valley Irrigation Scheme, under which the Queensland Government proposed to make available 100,000 acres of irrigable land and 200,000 acres of adjacent dry lands for the provision, ultimately, of 7000 farms. Furthermore, it has investigated the economic position of Tasmania, the possibilities of geophysical prospecting, of developing Australian fisheries, of growing tobacco, producing fuels for internal combustion engines, manufacturing paper, and so on.

These activities have scarcely yet made any appreciable difference in the rate of flow of migration, but it is hoped that the investigations and surveys of the Commission, by indicating sound lines for future

development, will permanently increase the absorptive capacity of this country.

VI.

One other matter affecting the development of Australia ought to be mentioned. In 1926, the Commonwealth Government passed an Act incorporating the North Australia Commission, and charged it with the task of formulating schemes for the development of North Australia. At the same time, the Northern Territory was divided at the 20th parallel into two administrative territories, now known as North Australia and Central Australia, names which are hardly more appropriate than the earlier designation of South Australia. Each of the new Territories was placed under the control of a Government Resident for ordinary administrative purposes, with headquarters at Newcastle Waters and Alice Springs respectively.

The Northern Territory had always been a challenge to Australian statesmanship and the White Australia policy. South Australia had found its development a task beyond its powers, and not unwillingly relinquished its burden to the Commonwealth in 1911, after driving a bargain for the construction of the costly North-South Railway, connecting Darwin with the South Australian system. To-day, the position of the North shows little improvement. Liberal land offers, including that of land rent free for life to the first 5,000 applicants for agricultural holdings, have failed to attract settlers. It is asserted that the North has no niggardly endowment of natural resources. Nevertheless, with all its wealth, there are better opportunities nearer the amenities of civilisation in the South and East of the Continent, and this, together with the dreaded isolation, combine to prevent the North luring many to its lands.²⁶

The initial report of the North Australia Commission submitted to the Commonwealth Parliament in May, 1928, places in the forefront of the schemes for develop-

26. See chapter by Professor Griffith Taylor elsewhere in this volume.

ing the North the necessity for improving the means of communication. It strongly recommends railway extension to the Queensland border, to connect ultimately with the New South Wales system. The possibility of a line to link up with the Western Australian system is also mentioned. The improvement of Port Darwin harbour, and the provision of a deep sea port at Pellew Islands, together with a modification of the Australian Navigation Act, would also relieve the isolation. So, too, would the provision of telegraph lines, wireless services, and the encouragement of aeroplane communication. These things are almost a preliminary to development beyond the pastoral industry, which is the only important activity at present. The Commission, however, does not think it unreasonable to expect in the future successful mining, mixed farming and agriculture. Its plans for immediate development are, however, based upon the pastoral industry, and include a system of roads, stock routes, bores and wells on the stock routes, exploratory artesian boring on the Barkly Tablelands, and so forth. The Commission believes that the future for the cattle industry in the North is bright, especially as a world shortage of beef is forecasted within the next ten years. The Barkly Tablelands will also be capable of carrying some millions of sheep. But any extensive development will be limited by the costly provision of facilities designed to bring living more in keeping with the conditions existing in the more settled parts of the Commonwealth. At best, it cannot be expected immediately to affect to any extent the flow of migrants to Australia.

VII.

As we close this brief survey of the activities specifically undertaken to stimulate immigration, we must not forget the many other efforts which are indirectly serving the same purpose. There are our secondary industries into which the war projected us headlong; our railway building, which yearly throws the line of steel rails across our open spaces and gives us a greater mileage

per head of population than any other country in the world; there are our storage dams and irrigation projects, our harbour works, shipping facilities, and our power schemes.

What emerges is a clearer recognition of the difficulties involved in the problems of immigration and development. There is, of course, the hopeful augury of enthusiastic efforts on the part of many voluntary organisations, supplementing State action. There are the researches of the Bureau of Science and Industry, aiming to reduce costs of production by the adoption of the latest scientific methods. There is the encouragement and assistance given by the Government to expert delegations to investigate and familiarize themselves with our conditions, and there is the systematic and carefully calculated work of the Development and Migration Commission. That body believes that, as people appreciate more fully what it is doing, "it will inspire a national consciousness ready to express itself in active assistance to the work of migration—assistance in measures to induce British migrants to come, ensure them welcome, congenial assimilation and establishment as economic units of the Commonwealth." Whether this will be so or not, the fact remains that Australia's preference for specially selected types of Anglo-Saxons both limits the rate of immigration and creates situations in respect of aliens which may strain international relationships. We are as yet only on the threshold of such situations. Again, the Development and Migration Commission has its own problems. It is a Federal agency, and its work on the supply side is largely conditioned by its ability to secure the co-operation of the States which control immigration demand. It is possible that the will to co-operate may not always be present, except in those States which are in the pioneer stage of development.

Finally, immigration is indissolubly linked with the question of markets. Primary producers clamour for increased population to provide a profitable home mar-

ket instead of a precarious overseas one. Our manufacturers are even more insistent upon increasing our population, because an overseas market is out of the question for them in the present circumstances of high production costs. In pursuing their respective objectives, a conflict of fiscal policies is encountered. Each demands protection: but the primary producers, while hostile to high tariffs on manufactured goods, all of which increase their costs of production, demand protection for their surplus crops in the British market, and are quite ready to use the agency of marketing boards to protect themselves against the consumer in the home market. There is thus projected into the problem of conserving Empire resources conflicting domestic fiscal policies, which do not always march with the proposal to develop the British Commonwealth as a single economic unit. It is to the solution of these tasks that Imperial Parliamentary delegations, Press delegations, Science congresses, and Imperial conferences must bend their energies.

APPENDIX I.

COMMONWEALTH OF AUSTRALIA—ARRIVALS OF ASSISTED MIGRANTS.

Year.			New South Wales.	Vic- toria.	Queens- land.	South Aus- tralia.	West Aus- tralia.	Tas- mania.	F.C.T.	Aus- tralia.
1920	..	..	3,211	2,763	1,272	..	1,499	314	..	9,059
1921	..	..	4,980	3,987	1,147	572	3,381	615	..	14,682
1922	..	..	7,087	9,145	1,711	1,531	4,373	411	..	24,258
1923	..	..	5,005	9,504	2,377	1,711	7,654	394	..	26,645
1924	..	..	6,211	8,721	1,788	1,375	6,715	226	..	25,036
1925	..	..	8,788	8,589	2,318	1,292	3,701	139	..	24,827
1926	..	..	12,830	8,586	3,669	1,993	4,030	152	..	31,260
1927	..	..	10,260	8,847	3,504	2,420	4,879	189	24	30,123
1928, to 30/6/28 (six months only)			4,681	2,996	1,046	1,107	2,209	64	10	12,113

APPENDIX II.

STATEMENT SHOWING CLASSIFIED ARRIVALS FOR THE YEAR 1926.

Class of Migrant.	New South Wales.	Victoria.	Queensland.	West Australia.	South Australia.	Tasmania.
Land Settlement Scheme Settlers ..	20	670	..	251	..	..
Land Settlement Scheme Farm Workers ..	1	..	..	313	3	..
Other Farm Workers	27	1,872	6	1,148	11	..
Fairbridge Farm Boys .. ..	..	..	..	14	..	..
Dreadnought Boys	1,019	..	..	..	..	..
Barnardo Farm Boys	50	..	1	..	..	..
Wembley Scholars	24	19	..	..	..	..
Little Brothers	126	276	..	..	..	..
Salvation Army Lads	19	38	59	25	..	..
Church Army Lads .. ..	..	9	178	..	..	..
Farm Learners	1	129	476	1	2	..
Domestics	503	328	113	200	86	..
Barnardo Girls	80	..	..	..	..	..
Nominees	10,960	5,245	2,836	2,078	1,891	152
TOTALS	12,830	8,586	3,669	4,030	1,993	152
GRAND TOTAL—31,260.						

APPENDIX III.

ASSISTED IMMIGRATION—SEXES AND INDUSTRIAL GROUPS, AUSTRALIA, 1927.

Industrial Group.	Selected.			Nominated.		
	Males.	Females.	Total.	Males.	Females.	Total.
Wood, Furniture, &c.	218	1	219
Engineering, Metals, &c.	1,326	2	1328
Food, Drink, Tobacco, &c.	118	15	133
Clothing, Hats, Boots, &c.	246	456	702
Books, Printing, &c.	59	31	90
Other Manufacturing	107	26	133
Building	351	1	352
Mining	709	..	709
Rail and Tramway Services	155	..	155
Other Land Transport	236	..	236
Shipping, Wharf Labour, &c.	63	..	63
Pastoral, Agricultural, &c. ..	5,184	..	5,184	826	8	834
Domestic, Hotels, &c.	1,829	1,829	49	1,734	1,783
General Labour and Miscellaneous	1,988	675	2,663
Dependents	146	250	396	4,462	8,852	13,314
TOTAL	5,330	2,079	7,409	10,913	11,801	22,714

APPENDIX IV.

£34,000,000 AGREEMENT.

STATEMENT PREPARED BY THE DEVELOPMENT AND MIGRATION COMMISSION SHOWING SCHEMES APPROVED AND ADVANCES MADE UP TO JUNE, 1928.

Scheme.		Date approved by Commonwealth Government.	Amount approved.	Advance to date.
VICTORIA.			£	£
Maffra-Sale (Roads, Farms, Irrigation)	.. ..	5/5/26	541,000	325,000
Childers (Roads, Farms)	.. ..	23/9/26	140,000	140,000
Katandra (Roads, Farms, Irrigation)	.. ..	19/10/26	403,000	325,000
Roads—Red Cliffs westerly to Merringur	.. ..	12/5/28	90,000	..
Expired Farm Schemes under old Land Settlement Agreement	.. ..	..	*	291,518 [†]
TOTAL VICTORIA	.. ..	..	1,174,000	1,081,518
WESTERN AUSTRALIA.				
2,031 Farms	.. ..	27/9/26	2,031,000	2,031,000
Narambeen Water Supply	.. ..	5/5/26	76,197	70,820
Norseman-Esperance Bay Water Supply	.. ..	5/5/26	80,000	47,322
Barbalin Water Supply	.. ..	5/5/26	264,437	45,703
300 New Farms	.. ..	5/5/26	300,000	50,000
Pemberton-Denmark Railway (two sections)	.. ..	17/12/26	475,500	312,385
Boyup Brook-Cranbrook Railway	.. ..	17/12/26	451,500	5,800
Norseman-Salmon Gums Railway	.. ..	17/12/26	225,500	225,500
Busselton Drainage	.. ..	17/12/26	205,000	173,385
Northcliffe Drainage (Groups 96, 97 and 98)	.. ..	17/12/26	25,000	..
Group Roads, 1926/27 Programme	.. ..	17/12/26	100,000	100,000
Flinders Bay-Margaret River Railway	.. ..	17/12/26	71,094	239,416
Busselton-Margaret River Railway	.. ..	17/12/26	189,158	
Group Roads, 1927/28 Programme	.. ..	24/5/27	100,000	95,478
Group Roads, 1927/28 (Supplementary)	.. ..	6/2/28	25,000	..
TOTAL WESTERN AUSTRALIA	.. ..	..	4,619,386	3,396,799
SOUTH AUSTRALIA.				
Tod River Reticulation	.. ..	1/2/27	500,000	298,293
Water Conservation Works on West Coast outside the Tod River Water District	.. ..	1/2/27	80,000	27,627
Afforestations	.. ..	1/4/27	358,250	124,029
TOTAL SOUTH AUSTRALIA	.. ..	..	938,250	449,949
GRAND TOTAL	.. ..	..	6,731,636	4,928,256

* Amount not yet determined, but on present information it is not expected to exceed £214,000.

† Amount in excess of £214,000 to be allocated to other schemes when the Land Settlement Scheme under the old Land Settlement Agreement has been finally wound up.

CHAPTER IV.

TARIFF POLICY AND ITS EFFECT ON AUSTRALIAN DEVELOPMENT.

J. B. BRIGDEN.

I. *The Origin of Australian Tariff Policy.*

Tariff policy is essentially a development policy, and development has always been a leading subject of Australian policy. In no other country has the tradition become so firmly established that it is the duty of Governments to lead in the development of every resource that may enlarge production. There is no articulate public opinion that does not endorse this characteristic Australian view, and which therefore does not repudiate the old-fashioned notion that enterprise is primarily a private concern.¹

The reasons for this policy are as usual geographic and historical. An American investigator² has conceived the idea that the strong trade union, radical and collectivist elements in Australia may be due to the lack of good agricultural land on the frontiers of our unoccupied interior, where individualism would naturally be developed, and to which dissatisfied wage-earners might resort, as they have done in the past in the United States. Our frontier industries are pastoral; they are large-scale industries employing labour, and they are strongholds of trade unionism. It is no accident that the largest union in Australia, the Australian Workers' Union, has sprung from the shearers. Wool-growing was the first independent Australian industry, and when gold and other metal mining challenged its supremacy, these two together created that radical opinion which became the father of Australian nationalism. To-day we are all nationalists (although a politi-

1. See my article on "State Enterprises in Australia," in the *International Labour Review*, Geneva, July, 1927.

2. Professor Carter Goodrich, Ph.D., of Michigan, U.S.A., in an unpublished paper entitled "The Australian Warum."

cal party has usurped the name), but the beginnings of a national sentiment were bred in the mining camps and shearing sheds of our frontiers, as our literature bears witness. And it is a curious fact that the workers in these industries, which can gain nothing from a protective tariff policy, are still ardently protectionist. The association of patriotic sentiment and of tariff protection is very strong in Australia.

This policy, which amounts to a faith, has never had to contend against any thorough-going free trade faith, for despite the old fiscal tradition of New South Wales, no colony was ever committed to a policy of free, self-supporting enterprise as it has been understood in other countries. The convict days left many legacies, and one of them was a tradition of strong Government control and stimulation. Our immigration has generally been subsidised in some way, except during the boom of the Gold Rush. Our first land settlements were promoted largely by Chartered Companies or Wakefield schemes, and it was "free trade" New South Wales which started, with the Robertson Land Act of 1861, the long story of agricultural settlement on pastoral lands by Government intervention, development and assistance. *Laissez faire* has never been the alternative to protection, nor has that policy been even partially popular with any but the pastoralist landowners and the purely mercantile and professional classes.

The protective tariff policy was the product of many causes operating in combination, and it came first in Victoria because the combination and the causes themselves were more powerful and urgent there than in the other colonies. It came, together with the new land policy, at a time of acute depression following the decline of alluvial gold mining. It was associated, as it has been since, with the need for revenue, with the protection of labour, and with all the radical sympathies and interests in league against the pastoralist landowners and the importing merchants. Just as the free traders in England had captured the hopes of the Chartists in the "'forties" with the promise of cheap

bread and plentiful employment, so the Victorian protectionists captured the hopes of their radicals. And, also as in England, the breakfast table was to be relieved. Duties on tea and sugar were to be abolished, and as a further inducement duties on the export of gold also. In England the free trade policy promised cheaper food and more employment; in Victoria the opposite policy seemed to promise the same results. In England the change was a radical victory against entrenched property interests, and in Victoria it was the same. These facts are essential to any understanding of the tariff problem in Australia, for although the facts have changed the association of ideas has continued.

The other colonies followed with some hesitation, except New South Wales, which had greater natural advantages, including coal, more land and land revenues, a less acute aftermath of the gold rush, Henry Parkes instead of David Syme, and the ideas of Henry George before the protectionist virus was able to infect the radicals of that colony.

II. *Commonwealth Tariff Policy.*

In the early years of Federation a struggle took place between the two policies, but with an inevitable result: all the natural sympathies of the new nation were protectionist, and the whole outlook of the free traders seemed to be narrow, sectional and reactionary. The new Government was bound to raise large revenues from customs and excise, partly because no other sources were available, and also because three-fourths had to be returned to the States, at least during the first ten years. It is true that New South Wales had obtained most of its revenue from its tariff, but the association of protectionist advocacy and the need for revenue was too powerful for the free traders to overcome. The new Labour Party was sufficiently protectionist to find it necessary almost at the outset to declare a fiscal agnosticism, and it was eventually swept into the stream. By 1908 Imperial preference on the one hand, and on

the other hand the protection of labour, and of a White Australia, completed the victory against free trade, with its inevitable associations of *laissez faire*.

The "new protection," first embodied in the Excise Tariff Act of 1906, and so called because it attempted to make tariff duties conditional upon "fair and reasonable" wages and prices, failed to become operative because that Act was declared unconstitutional by the High Court in 1908. The Federal Arbitration Court became the means of securing these wages, and during the war it was forced to adopt a policy of adjusting wages to rising prices. The dislocation of all prices caused by the war in all countries has masked the special effects of the tariff on prices, and the Arbitration Court has continued its policy of wage adjustments, thereby protecting the employed wage-earner against the costs of the tariff. One consequence of this is that the trade unions and the Labour Party have become more vociferously protectionist than any other sections of the community except the interested manufacturers. The war also defeated the efforts of the Interstate Commission to introduce a judicial point of view.

At the end of the war a new set of circumstances created new extensions of tariff policy. The circumstances were indeed extraordinary, and extraordinary extensions naturally followed. Not only was national sentiment inflamed in Australia, as in other countries, but experiences during the war seemed to prove that Australia must rely on itself for its own needs. The war had destroyed the basic assumption of free trade, and if temporarily why not permanently? New industries had sprung up under the unnatural conditions of the war period, and their prices could not be compared with any other prices: indeed, no prices could be compared during that period of dislocation. And suddenly, when the slump fell upon Europe, Australia was flooded with goods, threatened with an economic invasion, and faced with the destruction of its economic nationalism. The result was the 1921 tariff, with provision for constant variations, often by mere adminis-

trative act, to meet the dangers of "dumping," and the needs of new industries. This "elasticity" was copied from the United States, and the whole was part of the world-wide increase in tariff barriers and other restrictions which led to the League of Nations Economic Conference in 1927.

One of the ideas copied from America, but previously recommended by the Interstate Commission, was the establishment of a Tariff Board. This was the brightest spot in the new tariff policy. The Board was made representative of various interests, and it was charged with the duties of enquiring into claims for tariff increases, of reporting to the Minister for Customs on various other matters, and generally of investigating the effects of the tariff and safeguarding the interests of consumers. The Board was to be, and has been, in general and even ardent sympathy with the policy it has been expected to criticise, and the work of examining particular applications has kept it too busy to allow of its giving any serious attention to the tariff as a whole. The general result is that the tariff has been increased, but the Board has become uneasy during the past two years, both on account of attempts to use the tariff to shelter inefficiency, and of attempts to use the protected prosperity of certain industries to increase wages. The Board's declaration on the latter point, in its Report for 1925-26, has become famous. The wage increases can only be increases in the so-called "margins for skill" above the basic rate, for the latter has not been changed. But as the Board's decisions are very largely based on differences in money wages paid in Australia and elsewhere, and the Arbitration Court decides what margins can be granted on the conditions of the individual industries, there is a tendency for both to become involved in a cycle of cumulative increases. The Board declared that if this were to continue it could "see nothing but economic disaster ahead, and that at no very distant date." The Board evidently expects the Court to be the first of the two authorities to break the "vicious circle."

III. *The Reactions from Country Interests.*

The tariff has not been without criticism from country interests in recent years, and the entry of the Country Party into Federal politics was at first designed to moderate the tariff in favour of those interests. Certain reductions were, indeed, secured, but the political dangers of division in the non-labour ranks have made the Country Party a very mild critic of the Government, in which its leader almost at once became second in command. The new party, like the Labour Party before it, has now been won over by the benefits gained and anticipated. The sugar industry is in a special position as the spearhead of the White Australia policy, but other country industries have been gaining both tariff and other assistance through the Commonwealth. Butter is now a sheltered industry, even for export, under an ingenious scheme whereby the home market is controlled and home consumers subsidise exports. The attempt to extend protection to export industries is being pressed further. The latest proposal is that wheat growers should follow the example of butter producers and seek to gain what is called "Australian parity." This parity is the cost of imported wheat free of duty: at present the growers get London or Liverpool parity less the cost of exporting the wheat. The proposal has been discussed for some months past, and in August it was adopted by the annual conference of the Farmers' and Settlers' Association. There is no immediate prospect of their success, for to get Australian parity for wheat would require that all wheat growers should act in unity, and that the tariff on wheat should be doubled. In order to get Australian parity for wheat, an additional shilling per bushel would be required on about 120 million bushels per year. This means £6,000,000 per year, which would have to be transferred to the wheat growers from the consumers in Australia. As only one-quarter of this wheat is consumed at home, and it is this quarter that would have to bear the cost of achieving Australian parity for all wheat sold, the home price

would have to be increased by 4/- per bushel. The limits of such an increase are set by the tariff, which at present does not operate to protect wheat, except in bad seasons. The duty is now about 1/2 per bushel, and the cost of importing wheat is about 1/- per bushel. The Australian price could therefore be raised by about 2/2, or half the amount necessary to achieve the object of the farmers. This increase would cost Australian consumers about another penny per 2-lb. loaf, or £3,250,000 per annum. But the tariff might be doubled on wheat as it has been on butter, in order to gain the objective sought. Butter protections cost Australia at present about £3,000,000 per annum, and dried fruits (which are marketed under a similar system) about £250,000. Sugar costs £4,000,000, and other protected primary products have been estimated to cost between £3,000,000 and £4,000,000 per annum through the tariff. Protected manufactures have been estimated to cost Australian consumers about £26,000,000 per annum.³

The proposals of the farmers have received the tacit approval of the Country Party in the Federal Parliament, and its leader, the Commonwealth Treasurer, in a recent speech in Western Australia, announced that the Australian policy of protection had to be accepted as an established fact. He said that the farmers should seek every possible extension of protection to their own products. Another member of the party, who was responsible for the butter marketing scheme, is Minister for Markets in the Commonwealth Government. The party leaders are, however, subjected to considerable criticism within the Country Party itself, and have difficulty in convincing their followers that they cannot retain the original objective of lower duties for other producers while at the same time urging higher duties

3. For details of these estimates, see a Memorandum prepared for the Royal Commission on the Constitution by J. B. Brigden and L. F. Giblin, August, 1928, which is to be published in the *Evidence*—a limited number of copies may be had from the Authors—and Mr. Giblin's Paper in the Special Supplement to the *Economic Record* on "The Marketing of Primary Products," February, 1928. The estimates for wheat given in the text are also by Mr. Giblin.

for themselves and bringing all agriculture under the shelter of the tariff.

IV. *The Crisis Now Being Reached.*

These unforeseen developments of tariff policy might well have astonished David Syme and the ardent pioneers of Victorian protection 60 years ago, and they have their humorous side. As Mr. Giblin stated in his paper before the Economic Section of the Australasian Association for the Advancement of Science in January last:

“It looks as if the day were not far off when the whole burden would fall on wool. The vision that comes is of Australia as one enormous sheep bestriding a bottomless pit, with statesman, lawyer, miner, landlord, farmer and factory hand all hanging on desperately to the locks of its abundant fleece.”

At present the price of the fleece is good, but no one knows how long the overseas buyers of our wool will continue to pay current prices, nor how long it will be before the incentive given by those prices operates to stimulate effective substitutes. In any case, the rapid extension of tariff shelter to cover agricultural industries is bringing the whole question of tariff policy to a head.⁴

4. If the proposals to protect wheat are successfully applied, the cost of protecting and assisting primary production will exceed the cost of protecting manufactures. State and Commonwealth assistance to primary production is now approximately as follows:—

Assistance through subsidised railways and other developmental expenditure	£12,000,000
Sugar and Butter, protection through the Tariff	7,000,000
Other Farm Products, protection through the Tariff (at least)	3,000,000
	<hr/>
	£22,000,000

Wheat would add £6 million. The total for manufactures is about £26m. (See Memorandum supplied to the Royal Commission on the Constitution). The cost of protection to exports through subsidies paid by home consumers, must increase as exports increase. At present, a further increase in the local price of butter is being discussed by the Butter Control Board. If wheat can be added to sugar, butter and dried fruits, the Australian consumers will be paying not only the protected prices for the amounts consumed at home, but some millions of pounds per annum to subsidise exports as well, and even to reduce prices abroad. If wool could be added, the whole scheme might die of absurdity. It is the most effective movement to bring the tariff issue to a head. Similar principles have been proposed in the U.S.A. in the McNary-Haugen Surplus Control Bill, and were rejected by the President in 1927.

This movement is being assisted by the grievances of industries which are compelled to pay excess costs for their raw materials. In addition to these, a new aspect has been raised in the unequal effects of tariff policy upon different States with different aptitudes for sheltered home industries and unsheltered export industries respectively. A crisis is being reached, and the idea of a stocktaking is forcing itself upon the public mind.

V. *Recent Criticisms.*

The new interest which has been created during the last few months is reflected in the Report of the Tariff Board, which has just been issued. The Board comments on its own contribution towards a "scientific tariff," and complains that on some important questions the Minister of Customs and Parliament itself have not acted in accordance with its recommendations; that interested parties continue to "lobby" and canvass members; that groups bargain with other groups for reciprocal increases in the old-fashioned style of American "log-rolling," and that the objective of a well-balanced tariff which should pay due regard to the effect on other industries has been defeated. On the general questions the Board again refers to the principles of "new protection" as they have been applied, but without referring to it by that name, and remarks, *inter alia*:—

"The high costs of production are one of the most serious difficulties confronting Australia. . . . In 1908 there were only eight items with *ad valorem* duties of 40 per cent. or more. In the present tariff there are 259 such items. In manufacturing industries, undoubtedly much of the cause of high cost of production is due to over-capitalisation, high rates of pay, short hours of labour, and other favourable conditions of employment, and restriction of output. . . . There is an apparent need for co-operation between the authorities fixing the rates of pay and the framers of the tariff."

The Board recommends co-operation between employers and employees to obtain maximum output under improved methods, and goes on to say:—

“If the joint efforts of employers and employees fail, it is worthy of consideration whether the Ministry should not fix the general maximum limit of the rate of tariff assistance which it is economically sound to give to any industry. It will then be for the employers and employees to adjust their costs of production to a basis that will allow successful competition with imported goods. Unless production costs can be reduced there will be no alternative but to reduce the standard of living, but the Board agrees that this step is highly undesirable.”

As this book is being issued, the Commonwealth government is considering the appointment of a Committee and of a permanent economic research organisation to enquire into the effects of the tariff. It will be one of the tasks of these bodies to answer the problem set in the heading given to this chapter. Many Australians would be willing to give the answer at once, one way or the other. The present writer has been studying this question for some years, and is quite unable to come to any definite decision until further facts are available. A research organisation may be hampered by the same difficulties, and its chief utility will be to ascertain specific facts at present in doubt.

The only academic economist in Australia who has committed himself to any definite opinion is Dr. F. C. Benham, of the University of Sydney. On page 232 of his recent book, *The Prosperity of Australia*, he says:—

“The net result upon prosperity of a lower tariff would therefore, in my opinion, be distinctly beneficial. It would lead to a greater volume of production and a larger real income. Prices would tend to fall, but wages and other money incomes would not fall to the same extent, if at all. Unemployment would diminish, and working conditions could be improved without harmful consequences. External

loans would still be necessary for conversion purposes, but better terms might be secured than otherwise, for greater saving could be made and less "new" loan money needed than under the present policy. More immigrants would be attracted and closer settlement promoted. The best act which the Commonwealth Government could perform to further the true welfare of the nation as a whole is a firm, but gradual, cautious and wisely administered reversal of the present policy of High Protection."

In referring to this passage, a local newspaper, wedded to the doctrines of free trade, remarked: "If all Australian economists would be equally frank in giving conclusions instead of balancing "pros" and "cons" they would assist this Commonwealth enormously." This no doubt represents prevailing public opinion, but it is by no means certain whether it is the cussedness of academic people or the cussedness of the facts which is responsible for the irritating indecision.

A preliminary discussion of the whole issue has been published in the journal of the Economic Society of Australia and New Zealand.⁵ The most recent work on the subject has been the Memorandum prepared for the Royal Commission on the Constitution, already referred to in this chapter. In that Memorandum an attempt is made for the first time to measure the costs of the tariff and of other assistance to production. In the opinion of the authors, the most serious ill-effects are the inequalities which the tariff causes between different States, but the magnitude of the tariff costs therein estimated appear to support the free trade contention. Is it conceivable that the tariff has not retarded Australian development if the costs are as high as the figures quoted earlier in this chapter?

5. *The Economic Record*: See my original article on "The Australian Tariff and the Standard of Living," in the first number, November, 1925; Dr. Benham's "Reply" in May, 1926; my "Rejoinder" in May, 1927; Dr. Benham's "Restatement," and my final "Comments" in November, 1927. Articles by Professor R. C. Mills, giving the history, responsibilities, and the principles adopted by the Tariff Board, appeared in the same journal for May, 1926, and May, 1927.

VI. *Other and Countervailing "Development."*

It is probable that no final and conclusive answer can be given to this question. The problem would be an easier one if the tariff could be treated as the only important expense imposed in the business of developing industries, or if it could be judged on any analogy with other countries where development is left to private enterprise. As events are moving, the expenses of rural development and of protected primary industries are likely to become greater than the present costs of protected manufactures. This chapter may therefore be most useful in sketching the history of events which have led to the present position.

The effects of the Gold Rush upon Australian history can scarcely be exaggerated, for without it we might have had a much slower and more normal development, both in industries and population. We might have had neither the Robertson land legislation, which commenced in New South Wales and spread elsewhere, nor the Victorian tariff, which is still spreading. Without these two interventions and their innumerable successors, the natural course of production, dominated by wool, would have had freer scope. Wool has indeed survived all attacks, as strong economic forces invariably do survive the onslaughts of legislation, and the natural tendency for Australian land to be characterised by large estates survives the land tax, designed to subdivide them. Through taxation and from the excess cost to consumers of protected industries, we have spent huge sums, chiefly derived from wool, on attempts to divert production away from wool. To some extent we have succeeded. Agriculture has been promoted and manufactures have been stimulated. The natural course of production has been diverted, and it has been diverted no less by subsidies through railways, roads, irrigation works, land purchase schemes and other bounties to agricultural settlement, than through tariff protection to manufactures. The question is, firstly, whether the

tariff has defeated the assistance given to primary industries, and, secondly, whether without the tariff the assistance to primary industries could have absorbed the population now employed through protection.

The tariff, as a separate influence, has undoubtedly retarded agriculture more than pastoral industry, because agriculture employs more labour, and carries a greater proportion of tariff costs in relation to its output. With wheat-growing, and also with metal-mining, the burden may be very substantial, for at present they are not able to "pass on" any of the cost of the tariff. These and other export industries which are entirely unsheltered, and are therefore unable to pass on costs, receive overseas prices for their products, less the costs of sea transport for what is sold abroad, and they pay protected Australian prices for their goods and services.⁶

The result is that the amount of land used is limited not only by natural conditions, but by the excess costs imposed upon rural production. In place of the production that could be obtained without those costs, we have the net addition to Australian income which comes from the protected industries. It is different production rather than additional production, and of less value than it appears to have because it imposes a cost upon others.

The following may help to make this a little clearer, and to introduce the important element of the counter-vailing assistance given to agriculture. Under Australian conditions the amount of land used for export industries is the area which can repay not only the necessary expenses of production under free trade conditions, but also the excess costs of protected commodities used directly or indirectly, less such expenses of transport, etc., as are borne by the taxpayers.

VII. *A Summary of Our Ignorance.*

We know very little at present about any of these three things, and, indeed, the further investigation

6. The cost of protection, as estimated in the Memorandum referred to, if concentrated upon the export industries, will *average* about 25 per cent. of their costs of production other than land.

is carried into the economics of this problem the greater appears our poverty of information. We do not know what is the real extent of the production actually dependent on the tariff, for some of the protection afforded is required because of costs imposed by other protected industries, *e.g.*, the products of iron and steel. We do not know how much of the growth of manufacturing industry is due to protection. We know that this class has increased greatly, but some part of that increase is natural, and would grow progressively under free trade conditions with the growth of primary production as the home market expanded.⁷

We do not know how far the export industries have been retarded by protection costs and how far by natural inability to produce enough on uncultivated land to repay the lowest possible expenses. Lastly, but not to complete this gloomy summary of our ignorance, we do not know how far the developmental expenditure of governments on railways, roads, etc., has been defeated. To some extent, the excess tariff costs have made economically impossible the fuller utilisation of land which these services supply. In certain areas the differences between payable pasturage and payable cultivation may be determined by the greater burden of the tariff on agriculture.

VIII. *The Outstanding Problems.*

It should be possible by patient research to arrive at some reasonable conclusions on these questions, and to

7. From *The Production Bulletin* (No. 20) and the *Occupation Bulletin* of the 1921 Census, it is possible to obtain the following information showing the relative growth of male workers in the two principal classes. The year 1921 was notable for attempts to settle returned soldiers on land, and the number of farmers in that year is somewhat inflated. The growing use of machinery on farms is responsible for some difference in the proportional increase in the manufacturing class, but the contrast is nevertheless striking. Male workers principally employed in farming and dairying increased from 270,000 in 1920-21 to 285,000 in 1925-26. This was an increase of 5.5 per cent., but it all took place in the two younger and relatively undeveloped States of Queensland and Western Australia. The other States showed a decline. At the same time the male workers employed in factories increased from 292,000 to 340,000, which is an increase of 16.4 per cent. Ultimately, and in the absence of substantial exports of manufactured goods, the increase in factory workers must be in some fairly stable proportion to the increase in farm workers.

reduce the guesswork which is such a vicious characteristic of some Australian economic speculations. And having this information, we should be armed to attack the problem of this chapter. We should then be prepared to answer the following questions:—What would have been the effect of spending the present costs of protection on the development of export industries instead of on home industries? And if we had done so, should we have employed our present population at the present standard of living, or at a higher standard, or conceivably only at a lower standard? Have we enough good land? What products could we export from it? Should we be able to sell an increased volume of exports at prices that would have been profitable to the farmers who were assisted, and to the community which had chosen that line of development? It is possible that we should have had to spend less on assistance to production, in order to maintain it in proportion to an increasing population. If so, the tariff has impeded development.

In the last resort the problem becomes one of economic geography, and in this, as in the other subjects mentioned, we can take nothing for granted if we are to deal with this stubborn problem in a scientific spirit. Australians have been accustomed to taking their economic geography very much for granted, and the scientific spirit as represented by Professor Griffith Taylor has for many years past been like a voice crying in a babel of sound about "potentialities." Our rich coastal fringe and the sheep stations further inland have been rich enough to bear the costs of assisting both primary and secondary industries, but what lies beyond the frontiers? Obviously not land rich enough to carry the costs borne by the land at present used. Is it rich enough, in soil and climate, to have taken the place of the protected industries, if it had been free from their costs? A partial answer is supplied in this book by Professor Griffith Taylor, who, however, limits himself mainly to climatic considerations.

The answer to the problem is not only inconclusive at present: it is disappointing, and it lets no sleeping dogs lie. But a few "moral certainties" may be offered in conclusion. There was no natural course of production that could have absorbed the population attracted by the Gold Rush when that sensational episode came to an end, without Government intervention of some kind, and there is no natural unassisted production that could have absorbed our natural increase since. There have been three possible policies: to concentrate assistance on the export industries through taxation revenues, to concentrate assistance on industries for the home market through the tariff, or to share the assistance among those industries which seemed to need it most. We have chosen the last of these, but the cost of tariff assistance has stimulated the demand for other assistance, especially as the tariff has grown in recent years. The chief export industries, wool and wheat, have borne the costs imposed upon them without apparent hurt because they have hitherto been able to expand on the richer lands. These lands have been ample enough, and the scope for additional manufactures has been wide enough in the past, but we are reaching our poorer lands and the limits to the industries we can protect with any regard to economy.

Our capacity to bear the costs of all this assistance has been reduced by the pressure of charges for the war debt. The war itself gave an upward trend to the tariff; its after-effects stimulated the idea of assistance all round, and the demands for rapid immigration have popularised it still further. The war also hastened the adoption of a method of adjusting wages to changing prices, which, continued in more normal times, operates to protect the wage-earners as a class from the consequences of rising prices. It, therefore, checks the normal criticism that might be expected to arise from this important class. The hopes of the farmers are being captured for the same cause of tariff protection, and no considerable interests are left in natural opposition. We

are drifting to some climax, but what it may be no one can foresee. This chapter merely states the problem.

It would have been much simpler, both for reader and writer, to have explained how the tariff has promoted certain manufacturing and other industries at the expense of export industries, and how it has promoted the development of those States which have aptitudes for home industries at the expense of other States more adapted for export production. But although these are very important consequences, the problem is much larger. The Australian situation is indeed unique, and probably no one is yet qualified to say what we should do about it.

CHAPTER V.

AUSTRALIAN LOAN POLICY.

R. C. MILLS.

- I. The Wisdom of Private Borrowing.
- II. The Wisdom of Public Borrowing.
- III. The Growth of Public Debt.
- IV. The Expenditure of Loan Money.
- V. The Return from Loan Expenditure.
- VI. Some Criticisms of Loan Policy.
- VII. Conclusions.

1. *The Wisdom of Private Borrowing.*

Borrowing by individuals is a common practice in economic life, and its wisdom or foolishness is entirely a matter of circumstances. *Prima facie* it depends upon what the borrower expects to do with the loan, and upon the reasonableness of his expectation. Expectations, reasonable or otherwise, may often be disappointed, and the borrower reduced in wealth even to bankruptcy. But his policy will be adjudged wise if he reasonably expected to use the loan profitably in such a way that his income increased by at least enough to pay the interest and his assets appreciated by at least enough to cover the repayment of the loan.

Failure to achieve these objects does not necessarily mean that the loan was unwise in its inception, though continued or frequent failure would raise a presumption that the expectation of profitable use of the loan was not well grounded, for the chief test of the reasonableness of the expectation will always be the wisdom shown in the use of the loan money.

The normal way of using a loan in industry is to acquire by its means additional revenue-providing assets which will increase the borrower's income, and, unless this increase takes place, there is a net loss to the borrower. The element of time in a loan is of importance, for a loan which is unprofitable over a short

period may not be so over a longer period. It is not always true that private borrowing is for a short period; firms and companies whose life is expected to be longer than any of their shareholders may and do borrow on long terms, and indeed without any set period for repayment.

Direct returns for the use of borrowed money may be distinguished from indirect. A direct return would appear in the form of an income produced directly by the expenditure of loan moneys upon income-bearing assets. An indirect return would occur when an income arose indirectly from such expenditure as where an individual used the loan for his own education and training. It would be intended to improve his income-earning capacity, but it would be difficult to ascribe any given portion of his increased income to the particular loan. Loans of this kind are not common in industry, but are frequent in educational and professional circles. They are sufficiently different from the normal investment of capital to warrant the term "indirect return." A great deal of money is "invested" in training individuals, but it is usually done not so much by way of loan as by gift from parents, relatives, friends, Governments, and pious founders, without expectation of any monetary return to the donor. Where, however, a loan at interest is made for this purpose, though the lender's risk may be great, its wisdom from the point of view of the borrower will depend again primarily upon the reasonableness of his expectation of the increase in his future income-earning capacity.

Where a loan is not justified by economic considerations such as those mentioned above, it may be classed as spendthrift. Here the interest payments are met, if at all, out of other income or by the sale of assets; and the proceeds of the loan are dissipated without producing any additional revenue-bearing assets.

To the individual the question of where a loan is raised is simply a matter of net cost. A borrower will be wise to borrow where it costs him least, where the

terms of the loan and interest payments are easiest, whether that be within his own family or without.

2. *The Wisdom of Public Borrowing.*

Public borrowing presents some similarities and some differences. As in the case of private borrowing, the main test of the wisdom of public borrowing lies in what the borrowing public authority expects to do with the loan money, and the reasonableness of that expectation. If the public authority intends to use the money in such a way that its revenue is increased by at least enough to pay the interest, and its assets are appreciated by at least enough to cover the repayment of the loan, its borrowing policy is *prima facie* justified. Such circumstances occur when loans are used to construct public works of such a nature that they produce revenue for the Government out of which interest payments can be met. This kind of borrowing is of special importance when public authorities choose to take an active part in the economic development of their resources rather than to leave it to private enterprise. As Dr. Dalton says¹: "In time of peace external debts may legitimately be contracted by governments controlling large, undeveloped natural resources, the rapid development of which is too big a task for their own subjects to perform unaided. This is the justification of the external debts of the British Dominions."

Professor Cassel, too, referring to the Swedish Budget of 1925, wrote: "That part of the expenditure for capital account should be covered by borrowing, must in no wise be regarded as a makeshift, but on the contrary as the outcome of a deliberate and, it may be added, perfectly correct financial policy. This policy is based on the fact that the Swedish State carries on extensive commercial enterprises. . . . Views may differ as to the advisability of the State carrying on commercial enterprise on such an extensive scale. But if the State does so, and if the State requires new capital for the

1. *Public Finance*, pp. 196-7.

purpose, it is obvious that the State ought to borrow this capital, provided, of course, that it is used in such a way that the State itself has full interest on it.''²

Again, long run and short run effects may be distinguished. The difference between private and public borrowing in this respect is that public authorities are, from their nature, capable of taking a longer view than private individuals. Where a private individual looks for an early return, a State may wisely wait for a longer period.

Similarly, indirect returns are of more importance in the case of public borrowing. A State may choose to spend loan money on public works or enterprises, which, although they bring in no direct return to the State in the form of Governmental revenue, yet operate, and are intended to operate, to increase the national income. Examples would be a toll-free bridge, or a railway for "developmental" purposes. In these cases the national income is increased by the expenditure of loan money, although the State may have to raise by taxation the money necessary to meet the annual interest payments. Another form of indirect return would be where, as in the case of an individual, loan money was spent in improving "human capital." Where a State borrowed money in order to build schools and met the interest out of taxation, there would be an indirect return from the expenditure in the form of education and training which would improve the national income, but which would be hard to distinguish or to measure.

The test of improvements to assets also applies rather differently in the case of public borrowing. A private borrower expects sooner or later to have to repay his loan, and in case of bankruptcy his assets are realised in order to do this. But States are in a different position. They are expected to make no default of interest payments, though these may, in some circumstances, be reviewed and reduced, but they are not expected to repay their loans. Sometimes this is explicit as in the

2. *Skandinaviska Kreditaktiebolaget*, Quarterly Report, July, 1925.

case of a perpetual loan, sometimes this is implied as in the case of a loan renewed at maturity. Further, although the loan, if wisely spent, operates to improve the value of national assets, it is not usual for a State to sell its assets, and therefore it is difficult to say exactly how much they have been improved by the expenditure of loan moneys. The sale of public assets may occur after a war, when the State finds itself burdened with commodities and equipment for warlike purposes for which it has now no need. Or, after an unsuccessful venture into a commercial or industrial activity, a Government may decide to cut its losses and sell its assets for what they may bring in the open market. In other cases, however, though there may be buyers there is no seller, and therefore no market value. The difficulty is avoided to some extent by attempts to estimate the market value of public property. Where careful estimates are made at various periods, a comparison of the corresponding public debt at those periods may throw some light upon the question of how far public assets have appreciated by the expenditure of loan moneys. But even here, while figures of public debt are well established and ascertainable, the figures of public wealth are largely matters of estimate, sometimes, indeed, guided by the amounts of loan money expended upon producing the assets whose value is being measured.

If a Government spends loan money on purposes other than these it must rank economically as a spendthrift loan, no matter how excellent the motive, or how dire the necessity. Under this category come war loans, which, as a whole, and in most countries, form by far the greater part of public debts. Whatever may be their motive from the point of view of national safety, from the economic point of view they represent a waste of assets, possibly a necessary waste, but still a waste. From them arises no corresponding increase in national assets nor in national income, whether indirect or direct. And this is equally the case, whether they are raised at home or abroad.

Although much has been made of the distinction between external and internal loans, the question of where the money is raised is of as little importance to a State as it is to an individual. Where a State borrows is, as in the case of an individual, mainly a matter of net cost, and a State will do well, if borrowing is to be done, to do it where the conditions of lending are most favourable. The matter is, however, somewhat more complicated in the case of a State. Although an individual may borrow from friends or from within the family circle, he cannot in any real sense borrow from himself. But a State may borrow externally from the Governments of other States or from the subjects of other States; or internally from its own subjects. It is true that the "burden" of the debt is somewhat different in these two cases. A payment of interest, which is the true burden of a debt, made within a country is merely a transfer of purchasing power from one set of individuals within the country to another set, while a payment of interest abroad is a deduction from the national income of the country. But this is to look only on one side, for the benefit is different also. External borrowing is an addition to the assets, or, at any rate, to the spending power of the borrowing country, while internal borrowing is merely a transfer of purchasing power from individuals within the country to the Government. In the case of external borrowing there is an addition to the national assets and to the national income which may be set off against the payment of interest; in the case of internal borrowing there is no such addition. Normally the money subscribed to an internal Government loan would have been invested in some other way if the Government loan had not come on the market. So if an internal loan means no deduction from the national income, it also means no additional benefit—except in so far as the Government spends it more wisely than it would otherwise have been spent. And if an external loan means a deduction from the national income in the form of interest payments, its expenditure

means an addition to the national capital. The real burden, then, is determined not by the origin of the loan but by what can be set off against interest payments by a wise use of the loan moneys. The only important feature shown by the relation between external and internal loans is whether the inhabitants of a State have or have not reached a stage at which national saving is adequate for industrial purposes. When a country is "new" it is usual for it to develop its resources with the aid of foreign capital, borrowed privately or publicly. When the same country has reached a further stage in economic development—partly by the aid of foreign capital—it may find that the annual savings of its inhabitants are sufficient to enable it to dispense in part or whole with foreign capital, or even to enable it to lend abroad to less advanced countries. But even then the test to be applied in public borrowing is whether more favourable terms are to be obtained by borrowing at home or abroad.

A public loan is not the same thing as an industrial venture which may or may not be profitable, and which may bring in a greater or a smaller return, and in the conduct of which an investor has a vital interest. The lender may, of course, treat his holding as an investment, selling or holding his stock as his fancy and market conditions dictate. But his relations with the borrowing public authority cover merely the payment of fixed interest and (sometimes) the repayment of the debt. While the borrowing authority makes regular payments and is not likely to default in this matter, it is no direct concern of the lender how the loan moneys are used, whether the interest is raised by taxation or from public works, and in what proportion. These matters and some others, such as the aggregate debt, the debt per head, the "burden" of the debt, and the rate at which debt has been accumulating, only concern the lender as affording evidence as to possible or probable default. If default is unlikely it is not for the lender to betray curiosity as to these matters. This

is true as well of the home as of the foreign lender, except that the former is concerned as a citizen of the borrowing State.

From the point of view of the borrower, what is expected to be done with the loan money and what is actually done are the important matters. If the money is used wisely, then the amounts borrowed, the rate of accumulation of debt, the "burden" of interest payments, and the provision of sinking funds are all of minor importance.

3. The Growth of Australian Public Debt.³

The net aggregate debt of the Commonwealth and the States has increased during the century from some £200 million at 30th June, 1901, to £1044 million at 30th June, 1927. If the two periods from 1900 to 1914 and 1914 onwards are examined it will be seen that the rate of borrowing during the first ten years of the century was fairly uniform, about £6 million being added to the debt each year, though in the next four years the rate averaged about £20 million. During the war, as might have been expected, since a large part of war expenditure was met from loans, the average yearly addition to the debt was some £80 million. In the years that followed the war an average rate of over £40 million has been maintained. Of the total increase of £840 million since 1900-1, the war debt is responsible for £333m. or some 40%. Loan expenditure for war purposes includes expenses in connexion with repatriation and the settlement into civilian life of returned soldiers. Owing to this fact the maximum war debt was not reached until 1921-2, when it amounted to £368m., of which 40% was raised abroad and the remaining 60% subscribed at home. Since that date, owing to a definite policy of repayment by means of a sinking fund, the war debt has fallen to £333m. in 1926-7.

Not only has the aggregate greatly increased since the beginning of the century, but the debt per head of

3. See Table I.

TABLE I.

AUSTRALIA—COMMONWEALTH AND STATES—PUBLIC DEBT, INTEREST AND TAXATION.

Year.	Public Debt, £m.					Per head £.	Interest, £m.		Taxa- tion, £m.	Index Number, Wholesale Prices, Melbourne.	
	War.	Other.	Raised abroad.	Raised at home.	Total.		Interest, £m.			Total.	Year. (Base Year—1911).
							Total.	Payable abroad.				Payable at home.
1900-01	—	204	175	29	204	54	8	—	—	1901	974
1901-02	—	214	181	33	214	56	9	—	—	1902	1051
1902-03	—	223	187	36	223	57	8	—	—	1903	1049
1903-04	—	228	188	40	228	58	8	—	—	1904	890
1904-05	—	232	189	42	232	58	8	—	—	1905	910
1905-06	—	239	192	47	239	59	9	7	2	1906	948
1906-07	—	240	185	55	240	58	9	not available	—	1907	1021
1907-08	—	245	183	62	245	58	9	7	2	1908	1115
1908-09	—	254	190	63	254	59	9	7	2	1909	993
1909-10	—	261	191	69	261	60	9	7	2	1910	1003
1910-11	—	281	191	90	281	63	10	7	3	1911	1000
1911-12	—	295	194	101	295	63	10	7	3	1912	1170
1912-13	—	313	208	106	313	65	11	8	3	1913	1088
1913-14	—	339	227	112	339	68	12	8	4	1914	1149
1914-15	15	366	248	133	380	76	13	not available	—	1915	1604
1915-16	76	381	271	186	457	92	18	11	7	1916	1504
1916-17	137	397	294	241	534	108	22	12	9	1917	1662
1917-18	246	420	352	314	666	132	28	16	13	1918	1934
1918-19	281	423	347	357	704	136	31	16	15	1919	2055
1919-20	335	443	358	420	778	145	36	16	20	1920	2480
1920-21	358	470	369	459	828	152	40	17	23	1921	1903
1921-22	368	517	412	473	884	159	45	20	25	1922	1758
1922-23	363	543	416	490	905	159	46	20	26	1923	1944
1923-24	352	600	464	488	952	165	49	22	26	1924	1885
1924-25	347	619	464	499	963	163	52	24	28	1925	1884
1925-26	340	674	501	513	1014	168	55	25	30	1926	1832
1926-27	333	711	513	531	1044	169	57	26	32	1927	1817

mean population has increased from £54 to £169. There is no very satisfactory index number which will eliminate the effects of price changes which occurred during that period, but the Melbourne Wholesale Prices Index Number changed from 974 to 1817, so that the debt per head measured in this way increased nearly 70%.

For the first part of the present century the greater proportion of the public debt was borrowed from abroad, but since then the proportion raised in Australia has been growing, in part owing to the great amount of war debt raised locally, so that by 1926-7 approximately half of the total debt was raised at home and half abroad.

Annual public interest, too, in the earlier years of the century, was fairly constant in amount, with a tendency to increase, but since the outbreak of war it has grown rapidly until it amounted in 1926-7 to £57m., or about £9 10s. per head.

TABLE II.

AUSTRALIA—LOAN EXPENDITURE* TO 30TH JUNE, 1926.

Heading.	£m.			
	1 Common- wealth.	2 States.	3 Total.	4 Per- centage.
Railways and Tramways	8	298	306	45.6
Water Supply and Sewerage	—	91	91	13.6
Land and Land Settlement	3	78	81	12.1
Harbours, Rivers, Roads and Bridges	1	57	58	8.6
Post, Telegraphs, Telephones, &c. ..	19	4	23	3.4
Public Buildings	—	21	21	3.1
Defence	12	2	14	2.1
Loans to Local Bodies	—	12	12	1.8
Irrigation	2	4	6	.9
Other	2	57	59	8.8
TOTAL	47	624	671	100.0

* Amounts actually spent, whether loans repaid or still in existence.

4. *The Expenditure of Loan Money.*⁴

Approximately one-third of the total debt owed at the end of June, 1927, was war debt—£333m. out of a total of £1044m. This represents the burden laid upon Australia for her share in the world war, and for this there is no corresponding return in the form of revenue to the Government or of addition to the national income.

The remaining two-thirds, however, has been incurred for, and spent upon, purposes different from those of most public debts. The loan moneys thus raised have in the main been used both by the Federal and by the State authorities for the purpose of economic development by means of public works. The economic exploitation of undeveloped natural resources, including the provision of adequate communications, has been undertaken in Australia, more than in any other British Dominion, by public rather than by private borrowing. It is true that there has been considerable private investment in Australia for similar purposes, but, although reliable figures of private investment are available only for occasional years, public borrowing has been much more important. For instance, the Federal Government and the Governments of the Australian States own and administer the principal railways. These have been constructed, and their equipment furnished, mainly out of publicly borrowed money. Up to the 30th June, 1926, the total loan expenditure on railways (including tramways) was £306m., or 45.6% of total loan expenditure. Indeed, loan expenditure under the first four headings of Table II., *viz.*, Railways and Tramways; Water Supply and Sewerage; Land and Land Settlement; Harbours, Rivers, Roads and Bridges, covers 80% of the total loan expenditure.

4. See Table II.

5. *The Return from Loan Expenditure.*⁵

The direct return from loan expenditure takes the form of Governmental revenue from the net earnings of the public works and enterprises upon which the loan money has been spent. Table III. gives an account of the public interest payable by the States and by the Commonwealth over the period of years 1921-2 to 1926-7. It will be seen that the average interest for the

TABLE III.
AUSTRALIA—PUBLIC INTEREST, £m.

	States.	Commonwealth.			5 Total.
	1	2 War.	3 Other.	4 Total.	
1921-2	24.1	18.1	2.6	20.7	44.8
1922-3	25.6	18.4	2.0	20.4	46.0
1923-4	27.9	18.4	2.4	20.8	48.7
1924-5	29.2	17.9	3.9	21.7	50.9
1925-6	31.4	18.2	5.7	23.8	55.2
1926-7	33.4	17.8	6.3	24.1	57.5
AVERAGE	28.6	18.1	3.8	21.9	50.05

TABLE IV.
AUSTRALIAN STATES.

	1 Net Revenue from Works constructed out of Loans.	2 Interest Payable on Loans.
	£m.	£m.
1921-22	14.2	24.1
1922-23	16.2	25.6
1923-24	17.6	27.9
1924-25	19.5	29.2
1925-26	18.0	31.4
1926-27	19.1	33.4
AVERAGE	17.4	28.6

5. See Tables III. and IV.

six years payable by the Commonwealth was £21.9m., of which war debt was responsible for £18.1m. Against the interest of the war debt there is, of course, no direct return in revenue, but it is well to note that owing to the policy of paying off war debt the interest bill is gradually decreasing. The greatest part of the war debt payable abroad, *viz.*, that owed to the British Government, has been, since 1921, subject to a sinking fund calculated to extinguish it in 35 years. Apart from interest on war debt there remains an average amount of £32.4m., of which £3.8m. was payable by the Commonwealth and £28.6m. by the States. It is difficult to ascertain how much net revenue was received by the Commonwealth to offset this, but the Post Office, upon which about half of the "other" loan money has been spent, has annually returned over this period on an average £1.5m., which is available to meet interest.

In the case of the States, too, it is not easy to find satisfactory figures which will give a true picture of the position. Table IV. gives a comparison of net revenue from Government enterprises, with interest payable by the States. The figures in column 1 are supplied annually by the State Treasurers to the Commonwealth Treasurer, and shown by him in the Budget Papers. They represent "earnings available for the payment of interest from works constructed out of State loans." Comparing column 1 with column 2, it will be seen that the average net revenue was £17.4m., and the average interest payable £28.6m. At first sight there appears to be a great discrepancy between interest and return, but there is an important qualification to be borne in mind. For some States at least, the figure given of net revenue is much too low and covers only the revenue from that class of public works known as "Business undertakings."

The State Statistician of New South Wales has recently made an estimate for 1925-6 of the net revenue accruing to the State of New South Wales from enterprises constructed from loan capital and available to

meet interest charges.⁶ His estimate is "exclusive of the surplus earnings of certain loan works, such as the outports, Government tourist resorts, public buildings, certain electrical lighting enterprises and other undertakings."⁷ The estimate is £7,859,137, which may be compared with the figure furnished to the Commonwealth Treasurer, *viz.*, £5,507,736, which is merely the revenue from "Business undertakings."

For New South Wales, then, an addition of over 40% is necessary in order to obtain a fair comparison between net revenue and interest. This correction would suffice, since New South Wales is responsible for about one-third of the net revenue, to bring the figure of £17.4m. to about £19.7m. If a similar correction were necessary in the case of all the States the figure would become £24.4m. and the States would be receiving in direct revenue from the expenditure of loan money about 85% of the interest payable.⁸

But, except for Queensland, there is no available evidence as how much should be added for items omitted. The Queensland Treasurer, in his financial statement for 1928-9, gives for a period of years figures of net receipts from loan works and services which agree with those furnished to the Commonwealth Treasurer.⁹ This goes to show that an all round correction of 40% would be too great, but, unfortunately, there appear to be no similar figures given in the financial statements of the Treasurers of the other States. All that can be said is that the gap between net revenue and interest is not so large as Table IV. would indicate.

It is difficult to get any exact measurement of the present value of public works constructed out of borrowed money, and the State railways are not likely to be in the market as a going concern. But, in his

6. *New South Wales Year Book*, 1926-7, p. 429.

7. *Ibid.*

8. As a result of a special investigation carried out in 1928, it is estimated by the State Treasurer of New South Wales that, for 1928-9, of an interest payment of £12.2 m. on the public debt of that State, 15 per cent. is met out of Consolidated Revenue and 85 per cent. out of Revenue from Public Works.

9. Queensland Treasurer's financial statement, 1928-9, p. 29.

estimate of the value of Government property for 1921, the Commonwealth Statistician gives for State railways and tramways a figure of £240m., and by that year loan expenditure on railways alone had amounted to £235m. How much is allowed for depreciation on the one hand, and how much for appreciation in land values on the other, is not clear, but the above figures appear to show that the assets created by loan expenditure are considerable.

Apart from direct returns, loan expenditure in Australia has undoubtedly produced important indirect returns, which would figure in national income but are not to be observed in Governmental revenue. For instance, an unascertainable but certainly a considerable portion of the £57m. spent on harbours, rivers, roads and bridges brings in no governmental revenue, but none the less yields utilities which are to be set against the interest bill. The same is true of the £21m. spent on public buildings. Again, some of the enterprises embraced by the terms land and land settlement need a fairly long period before they can be expected to yield much return in the form of Governmental revenue. The railways are the principal works established out of loan moneys, and, as in many other countries, since the war they have not been very profitable for various reasons. The average deficit on State railways, after payment of working expenses and interest, has, during the past few years, been somewhere between £1½m. and £2m. It must be remembered, however, that, for a long time, the State railways of Australia have been run as public utilities rather than as profit-making concerns. Much, if not all, of the deficit could be abolished if the railway authorities chose to increase freights and fares. But, for political and other reasons, there has been a general reluctance to adopt this method, and although the position appears worse from the point of view of governmental revenue, it is immaterial from the point of view of national income whether the railways are run at a small profit or at a small loss. What is true of State

railway enterprise is true also of the post office, which is controlled by the Commonwealth. The contrast between net revenue and interest could, in the case of the Commonwealth, be somewhat improved if the charges for postal and other similar services were increased, but that is not to say that Australia would in any real sense be better off.

Taking into account, then, direct and indirect returns, it seems that, generally speaking, Australian loan policy in the past is not to be roundly condemned on the ground that the borrowed money has been wasted on useless works productive of no benefit to the country. It is impossible to add to the figures of direct returns an estimate of indirect returns, but taking both together, the gap between net return and interest is not great enough for any serious alarm, and it must be remembered that public enterprise is often judged more severely than private enterprise. The whole economic "system" contemplates that private individuals shall conduct enterprises, whether trial ends in failure or success. Losses, as well as profits, are to be expected in private enterprise, and why not in public enterprise? Marshall¹⁰ reminds us that "the number of those who succeed in business is but a small percentage of the whole," and he quotes an American and a French writer to the same effect. The American, Wells, says, "There has long been a substantial agreement among those competent to form an opinion that ninety per cent. of all the men who try to do business on their own account fail of success." Of France, Leroy Beaulieu says, "Out of every hundred new businesses that are started twenty disappear almost at once, fifty or sixty vegetate, neither rising nor falling, and only ten or fifteen are successful." Allowing, therefore, for a reasonable amount of loss on public enterprises, the expenditure of loan moneys in Australia upon public works has by no means been mere waste.

10. *Principles of Economics*, p. 620.

6. *Some Criticisms of Australian Loan Policy.*

Recently there has been a good deal of discussion of Australian borrowing by financial authorities in the United Kingdom. Mr. J. M. Keynes has urged that encouragement should be given to home investment, and that, to this end, Colonial Government stocks should cease to rank as trustee securities. Messrs. Cooke and Davenport have commented adversely upon certain features of Australian borrowing.¹¹ In particular they consider that there is a lack of adequate sinking funds; that Australian governments have been unduly reticent in that they have failed to inform investors of the purposes upon which it was proposed to expend the loan; and that sometimes loan moneys have been expended in "uneconomic competition with legitimate private enterprise in which the British investor is interested."¹² Moreover, they express great concern as to the amount and the rate of Australian public borrowing, coupled with "anxiety that Australian development should be financed from England."¹³

As to the first of these comments, the matter is one of policy for the British Government, with which Australia, though affected, has nothing to do. If our loans ceased to be trustee securities it would no doubt adversely affect our borrowing in London, and we should possibly have to pay a higher rate of interest. On the other hand, such a measure might induce our borrowing authorities to prefer New York to London. As has been pointed out above, to the borrower the question of where the money is raised is merely one of net cost, and although there is in Australia considerable sentiment in favour of borrowing in London rather than anywhere else the question of costs is likely to be decisive.

The second group of comments is more vitally concerned with our methods of borrowing and our expenditure of loan moneys. It may be repeated again that

11. See their pamphlet, *Australian Finance*, 1926.

12. *Ibid*, p. 13.

13. *Ibid*, p. 21.

an overseas investor in government loans is concerned merely with the security and the rate of interest. Even in private loans, as Mr. D. H. Robertson has recently reminded us, "Bankers are never tired of telling us that provided they are satisfied with the credit standing of their borrower, it is not their business to enquire too closely into the purposes for which he uses his loan."¹⁴ While, therefore, Australian Governments continue to make regular payments of interest (and default has never been suggested in any quarter), overseas investors have little ground for complaint. None the less since Australian governments propose to continue to borrow from abroad, it was clearly wise to disarm this kind of criticism by furnishing information as to the purposes of new loans, by co-ordinating Australian borrowing abroad, and by providing for more adequate sinking funds. The two latter aims are achieved by the recent financial agreement between the Commonwealth and the States. The Loan Council representing the Commonwealth and the States will co-ordinate public borrowing by arranging for all borrowings, conversions, redemptions, and consolidations of debt. By the same agreement all old and new public debts, both of States and of Commonwealth, will carry sinking funds.¹⁵

Australian States have not always done justice to themselves in regard to the borrowing and expenditure of loan moneys, because the normal form in which public accounts are presented make it at least difficult to discover what precisely is the position in regard either to expenditure or the net return from it. The radical change in the public accounts of New South Wales promised in the last Budget Speech of the Treasurer should go far to remove the defect for this State at least. The Government proposes *inter alia* "to show in a clear, concise form a dissection of the public debt under the various classes of capital expenditure, e.g., the expenditure upon reproductive assets; partially

¹⁴. *Economica*, June, 1928, p. 141.

¹⁵. See generally my article, "Financial Relations of States and Commonwealth," *Economic Record*, May, 1928.

reproductive assets; and on assets which are not directly reproductive, etc. An accurate classification of the public debt has been long overdue, and this reform will, the Government feels, be very welcome. It will be useful not only to the Government and to Parliament; it will be particularly useful to the investing public, both local and overseas.'¹⁶

There are several pertinent criticisms made in Australia not by investors *qua* investors, but by citizens of the borrowing country. The first is that the burden of the Australian debt is now heavy and is rapidly increasing. The facts upon which this criticism is based are the admitted increase in aggregate debt, in debt per capita and in interest, especially in the years following the war. It is pointed out that from 30th June, 1918, to 30th June, 1927, £378m. has been added to the debt, of which the war was responsible for only £97m. Per head the debt has risen from £132 to £169, and interest from £28 to £57. It is only the latter figure which need concern us, for the burden of a debt consists in the interest payments. That part which refers to war debt is not of great importance, as it is gradually getting less, and when in the natural course of events expenditure for war pensions and similar purposes, now paid out of Commonwealth revenue, begins to decline it will become easier to meet out of taxation the declining interest bill on war loan expenditure. But allowing for this the interest bill upon non-war debt has more than doubled between 1917-8 and 1926-7. This at first sight may look a little alarming, if we do not remember that the important question is what can be set against this payment in the form of returns from the expenditure of loan moneys. Moreover, insofar as the money has been borrowed from abroad, we should expect to find that, if it has been spent wisely, there has been a corresponding growth in the national income. In Table V. the annual external interest payments are compared with figures of "recorded production." This latter is not the whole of the national income, but consists of

16. See Mr. B. S. B. Stevens, Budget Speech, 19th April, 1928.

practically the whole of material production with the exception of building and construction, and, therefore, is subject to relatively great fluctuations, since so much of it consists of agricultural and pastoral production. The comparison shows that the proportion which external interest bears to recorded production has

TABLE V.
AUSTRALIA—EXTERNAL INTEREST AND PRODUCTION.

Year.	Value of "Recorded Production," £000.*	External Interest Payable, £000.	% of 2 to 1.
1917-18	279,356	15,506	5.5
1918-19	291,786	15,773	5.4
1919-20	343,608	16,443	4.8
1920-21	390,514	17,412	4.5
1921-22	344,302	19,795	5.7
1922-23	379,382	19,955	5.3
1923-24	400,183	22,404	5.6
1924-25	454,106	24,166	5.3
1925-26	430,387	24,608	5.7
1926-27	446,874	25,925	5.8

* First two figures for calendar years.

remained fairly steady over the period, rising in a bad year and falling in a good.

Connected with this criticism is the view that Government losses on loan expenditure are too high. Examples are pointed out of losses connected with land settlement whose capital has had to be written off, and of other enterprises, both State and Commonwealth, which have had to be abandoned after loss. One set of examples is found in minor trading enterprises in several of the States and another in the Commonwealth line of steamers. Some weight is to be attached to this view. If it be contended that private enterprise also makes losses, it must be remembered that, in many of these instances, the losses were for various reasons continued long after they would have been cut by private enterprise in similar circumstances. It must not be

thought that all minor State enterprises in Australia are unsuccessful. There have been conspicuous examples of failure, but there are also examples of public enterprise in competition with private enterprise which have not only covered interest and working expenses, but have made good profits and even, at times, repaid the loan capital which established them.¹⁷

It is sometimes contended that Australia indulges in the vicious practice of raising loans in London in order to pay the interest on loans already borrowed from London.¹⁸ This view is due to a misconception of the form in which it may be convenient to pay interest. If a sum of money is due in London about the time at which a new loan is floated there, it is obviously convenient that some of the proceeds should be retained there for the purpose of meeting that obligation. But this merely means that the sum raised in Australia from earnings of State enterprises or from taxation, instead of being transmitted to London as interest on old loans, is used as capital for the purposes for which the new loan is raised. A more important criticism of the combination of results produced by overseas borrowing and a Customs tariff is that by this means a proportion of the capital of every overseas loan is taken by the Commonwealth Government and used as revenue. It would appear desirable that the whole or some considerable portion of this should be definitely allotted for capital purposes.

One final point is the effect of public borrowing upon the course of industry. A great part of the investment in Australia is directed by public borrowing into the channel of public works, and the amount which will be borrowed for this purpose in any year will vary according to political considerations. For this reason, although public borrowing in the aggregate has increased, the rate of its yearly increase has not been regular. This

17. See the paper on "The Administration of Government Enterprise" read before the Sydney Branch of the Economic Society of Australia and New Zealand, by Mr. F. A. Bland, 28th August, 1928.

18. Cooke and Davenport, *op. cit.*, p. 3 and p. 15.

means at times, great activity in public works, and at other times, reduced activity or even cessation. Apart from the cost of this, since some public works make no return until completed, and if interrupted in the course of construction are sources of loss,¹⁹ it is clear that irregularity in public borrowing may lead to fluctuation in industry and resulting unemployment. It may be hoped that the new functions exercised by the Loan Council will reduce this loss to a minimum.

7. *Conclusion.*

The foregoing survey of Australian loan policy appears to show that there has been general justification for the policy of borrowing, that the financial position is not as unsound as some alarmists would have us believe; but that the most important practical feature is the desirability of careful scrutiny and control of all loan expenditure. Once more it must be emphasized that the test of wise borrowing consists not in its amount, nor its rate, but in the answer to the question whether its expenditure is likely to bring in adequate returns. Australian public borrowing is justified because it has been, in the main, undertaken for the economic development of this continent, which has not yet reached a stage where the savings of its inhabitants are adequate for all industrial purposes. For a progressive society, with a population increasing at the rate of 2% per annum it is desirable that there should be a corresponding increase in capital, and for some time much of this can only come from abroad. But, while the general wisdom of borrowing for this purpose is not to be denied, it is hardly open to question that more wisdom might have been exercised in the expenditure of loan moneys.

Although the gap between direct returns for loan expenditure and interest is not so large as it may appear at first sight, and although indirect returns cover some part of the difference, yet there is left sufficient of a

19. See Mr. Bland's paper cited above.

discrepancy to allow of the criticism that some of the money has been wasted. The loss could be expressed in a more exact form if the other States would follow the lead of New South Wales, both in recasting their public accounts and in indicating clearly for each year how much net revenue was fairly to be set against interest payments. The real need for Australia is not less borrowing so much as wiser spending, though the latter may well involve the former.

The knowledge that there has been some waste in the expenditure of loan moneys, and the suspicion, unallayed by satisfactory figures, that it has been great, have together probably caused much of the adverse criticism of our financial policy from outside investors or their representatives. It may also account for any differences in rates of interest on Australian as compared with other Dominion loans. To overcome this two things are necessary. First a more careful scrutiny of the proposed objects of loan expenditure and greater economy in spending the loan. Next, more careful estimation and publication of returns to this expenditure so that our financial situation should be made plain. The Loan Council can do something to achieve the first of these objects, but for both together some further common action on the part of the States and Commonwealth is necessary. In view of our industrial needs, and indeed of our commitments to certain projects and enterprises, Australian public borrowing is not likely to stop suddenly, but more care could be exercised to promote economy and to prevent waste. This involves a searching examination of the public projects which compete for the expenditure of loan money, and a discriminating selection of those only which are justified, either from their expected direct return in the form of Governmental revenue, or from their no less desirable, though less easily measurable, indirect return in the form of social welfare. In the face of political considerations these decisions are difficult to make, but they are none the less essential to the prosperity and welfare of Australia.

CHAPTER VI.

AUSTRALIAN BANKING PRACTICE AND POLICY.

H. E. TEARE.

The financial system of Australia, as now developed, is the logical outcome of the growth of a young community in a continent of vast area far removed from the world centres of financial and commercial activity. In no slight degree has the nature of this development been assisted by the accidents of unusual vicissitudes or of unparalleled opportunities. The currency difficulties at the commencement of the nineteenth century leading to the formation in 1817 of the first bank, the speculation in land in the 'forties and 'nineties, the gold discoveries of the 'fifties, the era of extraordinary prosperity in the 'seventies, the development of the pastoral industry, the federation of the States into the Commonwealth of Australia, the incidence of the Great War, and many other factors, have all contributed to the building of a financial organisation which is perhaps as simple as it is unique. In the early days a stable currency was the prime requisite, and accordingly, the provision of this was the main function of the banks at that time. Local manufactures were then unknown, and Australia, because of the original purpose of its colonisation, was an expense to the British Government. Imports greatly exceeded exports, and even when progress was made in the production of primary commodities, "trade" was distributive rather than creative. Accordingly the mechanism of banking insensibly tended to the fostering of this aspect of commerce. The tendency was accentuated by the lack of organisation, and of the knowledge of mercantile practice among producers and distributors, with the consequence that much of the work connected with shipments and distribution generally was urged on the banks. To-day, because of

this, the banks are all powerful, and close behind them come the great insurance companies and pastoral firms.

Naturally, such a system must possess weaknesses, but then there are also compensating features. In a country predominantly devoted to primary production, droughts, and the collapse of overseas markets are probabilities which loom large in Australian affairs, and can by no means be ignored. The concentration of nearly half the population in the capital cities of the Australian States, with the other half well scattered in relatively small groups in the hinterlands, necessitates a co-ordinated system of banking, one which will allow of the free and uninterrupted transfer of funds at periods when such action is deemed necessary. Single banks are therefore inadequate for the purpose, as, apart from the capital cities, and with the possible exception of a very few inland towns, the concentration of population is not so great that a single bank system would be likely to survive the experience of two or three adverse seasons. There is, indeed, only one example of a single bank in Australia, namely, the "Ballarat Banking Company" of Victoria, and even this, strictly, is not a single bank, as it has two branches. (The Australian branches of two foreign banks and of a New Zealand bank are, of course, excepted.) Consequently, the financial structure of Australia is mainly a composite of a branch banking system, of large State banks, large private financial organisations, and of considerable government assistance derived from overseas loan operations. Specifically, Australia is dependent on the ordinary trading banks, the Commonwealth Bank, the Savings Banks, the Credit Foncier Banks, the Agricultural Banks, the Insurance Companies, the Trustee Companies, the Pastoral Houses, the Building and Investment Societies, the Co-operative Credit Societies, and the Friendly Societies, for the requisite catering for its financial needs. To these may be added, as stated above, the financial efforts of the Commonwealth and State Governments. All other financial aid afforded mainly by

private finance companies, and other private concerns, has its derivation in one or more of the foregoing.

This tendency to specialisation among the financial groups of the country has been accelerated by the impetus given to development through political pressure and national expediency. Since Federation it has been the constant aim of statesmen and politicians to build up the industries of the States and of the Commonwealth to render the country largely self-supporting. The apparent clashing of the Australian ideal of a standard of comfort with the relatively low returns received for produce exported, has tended to draw producers together in the effort to reconcile their idealistic policies with the more or less prosaic probabilities. Coincidentally, national ambition in the direction of fostering the development of local secondary industries has necessarily decreed the advisability of some form of protection from the economic pressure exerted externally. In consequence, Australia is possibly one of the most "trust" ridden countries in the world, while its protection policy is by no means an empty boast. The majority of its industries, particularly those in the primary group, have organised some form of pool, cartel, or association. It is evident that such large-scale organisation requires likewise a large-scale organisation in finance. Hence the specialisation on a national scale in banking is not difficult to comprehend. At the same time, it should be emphasised that this specialisation has not been carried to too great an extreme. There are, as yet, no labour banks, no manufacturers' banks, and the like. Actually, on cursory and even careful examination, the conclusion may be drawn that the services of each type may tend to overlap. In broad essentials, however, they are distinct, the genesis and subsequent development of the newer organisations being largely determined by the deficiencies in the older forms. A *seriatim* analysis of each type may facilitate comprehension of this point.

The trading banks of Australia, by which is meant

those which cater principally for the commercial needs of the community, are, like their parallels overseas, banks of deposit, banks of discount, and banks of issue, these organisations, of which, exclusive of the Commonwealth Bank, there are eleven, possessing powers enabling them so to conduct their business. They derive their authority either from Royal Charter, from special Act of Parliament, or under the local Companies' Acts. Three of them have their head offices in London, while the head offices of the remainder are located in Australia. In addition to the foregoing, there are two deposit banks in Queensland, a branch each of a French and a Japanese Bank, and a branch of a New Zealand Bank. There is also a "commercial" bank with sixty-eight branches, which caters specially for the primary producer.

The right to bank in Australia is an exceedingly close privilege, and although there is no act specifically prohibiting foreign banks from engaging in business here, yet, with the exceptions mentioned, no foreign bank has been successful in obtaining a foothold, notwithstanding that serious efforts have been made by powerful foreign corporations in this direction.* Nor is this difficulty confined to the foreign organisation. Singularly enough, several projected local formations within recent years have not been able to get beyond the stage of issuing elaborate prospectuses, despite the general belief that there was a real need for their services. The modern tendency to instalment financing, and to the formation of the older types of discount and acceptance houses, has, as yet, not reached the stage in Australia where a financial institution specialising in these methods of finance can function dependent almost entirely on its own resources. There are, of course, several private finance organisations which work, more or less, with the

*For eighteen years foreign banks have not even been permitted to have accounts with the Australian banks, but post-war developments in both Australia's overseas trade and foreign loan policy have doubtless strengthened the claims of foreign financial interests, for on October 6th, 1928, accounts for foreign banks were re-opened in the Australian banks. Whether this concession ultimately will lead to the establishment by foreign banks of Australian branches is a matter for conjecture as yet, though many believe it inevitable.

support of the large trading banks, but these are in a different category from those under immediate discussion.

The eleven commercial banks have some 2800 branches scattered throughout the length and breadth of the Commonwealth (including the Commonwealth Bank and other smaller cheque-paying banks, there are 3000). The origin of the branch banking system in this country apparently can be traced to the training received in Scotland by the early bankers of Australia, who in numerous cases were recruited from that country. The gold discoveries of the 'fifties must also be counted a further reason for this development, branches at the goldfields being absolutely necessary for the safe custody and subsequent transference of the gold won. Doubtless the scattered population, the uncertainty of the seasons, and the fact that the industries of the country were not sufficiently varied in type to reduce risk to a minimum, had much to do with the gradual evolution of the system. Be that as it may, it is generally conceded, notwithstanding the potent arguments which have been adduced against branch banking in theory, that it has been singularly appropriate for Australia. Since the crisis of 1893 there has been no case of a suspension of a bank. If a branch ceases to pay its way owing to the industries of the district suffering an eclipse, as at Cobar, a once famous mining town, it is quietly closed up, and its staff and funds transferred to some more profitable spot. On the other hand, there is the great possibility that the burden of financing temporarily embarrassed districts reacts unfavourably on more fortunate districts and industries, though banking interests generally and unanimously deny this.

State and Commonwealth legislation on the regulation of the commercial banks is meagre, and it would seem that the time is long overdue for a really comprehensive banking act on the lines of those in the Statute Books of the United States, Canada, and South Africa. Apart from the Commonwealth Government's legisla-

tion regulating the functions of the Commonwealth Bank, most of the Banking Acts of the States are concerned mainly with the enforcement of sparsely detailed quarterly returns from the banks as to their average position during each quarter. Other sections contain various minor provisions, such as the fixing of bank holidays, the prohibition of loans to bank officers, and so on. Incidentally, it should be noted that the commercial banks are not entitled to limited liability in respect of their note issues, shareholders being held liable in respect of all notes issued, much in the same way that shareholders of an unlimited liability bank would be. This stricture, however, has little force these days, for the banks are under a penalty of 10% in respect of all issued notes still outstanding, the penalty being sufficiently drastic to deter the banks from exercising their prerogative to issue further notes, the issue of the Commonwealth Government having taken their place.

A very important feature of Australian banking, however, which finds expression in the Victorian Banks and Currency Act of 1915, and in the private Acts and Charters of the individual banks, is the authority given for the advance of money on the security of "lands, houses, ships, and pledges of merchandise." Forty or fifty years ago, when the opportunities for investment through the regular channels were somewhat small, the problem of the disposal of bank surplus funds became acute. Bank officials of that period also were imbued with the idea that it was in the best interests of all—including their shareholders—that their organisations should have command of ample funds. This obsession led to the thorough combing of Great Britain for deposits at high rates of interest, which naturally had to find a profitable outlet if these high rates were to be paid, with sufficient over for management and substantial dividend disbursements. Advances on land and merchandise offered a ready means out of the dilemma. The wisdom of this procedure is not questioned nowa-

days; it is, indeed, an accepted institution, though in certain countries overseas advances against merchandise are not regarded favourably, raw materials being considered the better security. One is forced to admit, however, that the Australian practice has experienced at times the effects of some severe monetary and price crises. When it is borne in mind that a large proportion of the merchandise imported must be ordered the better part of a year ahead, the danger becomes readily apparent.

As with the great majority of trading banks throughout the world, the funds of the Australian banks are derived from the capital invested in them, and from the deposits made with them. The "Demand" deposits of the United States find their counterpart in our "Current" or "Call" deposits, while the "Time" deposits of that country are paralleled by our "Fixed" deposits. A further classification of Australian bank deposits divides them into "Interest-bearing" and "Non Interest-bearing." These two classifications are not necessarily identical one with another. For example, the amount designated as "Interest Bearing" does not correspond with the amount placed under "Fixed," and this should be kept in mind when extracting statistics from publications which may use either one or other of the classifications. To all intents and purposes, however, they approximately agree. Since the 'eighties of last century there has been a gradual diminution in the ratio of deposits bearing interest to total deposits, the ratio in 1886 being 72%, and in 1921 54%. This gives some idea of the change which has taken place in the character of Australian banking in that period. Since 1921 the trend has been considerably the other way, the ratio now being 65%. During the post-boom period—that is, during the period since 1921—there has been a marked increase in the actual deposits bearing interest and a decrease, on the average, of those not bearing interest. Doubtless the fall in the general price level, with its subsequent stabilisation, had a great

deal to do with this tendency, thus rendering unnecessary the large sums previously required for current needs. There must be added also the fact that Australia has been extremely fortunate, on the whole, in the prices received for many of her exports, which stimulated savings, and the less satisfactory feature that she has not been quite so fortunate on the manufacturing side, necessitating less working capital for many lines of business. Of the total average liabilities of the banks, the total average deposits account for approximately 95% of the whole. This, of course, is quite exclusive of the capital accountability, which necessarily figures on the liabilities side of the balance sheet. (The term "average" is used in the foregoing comparison because the quarterly returns give the average of the figures for the thirteen Mondays in each quarter.)

The principal forms of bank loans in Australia are the advance, the overdraft, and the discount. Advances are made use of to a great extent in the financing of crops and the like during the period of growth, and are also made on produce shipped abroad, and on merchandise. Necessarily, ample margins are allowed by the banks in their favour for the possible contingency of price fluctuations, and further security is given to the banks per medium of Letters of Hypothecation, which secure to them the right to dispose of the produce, or to take other action should circumstances warrant it. Frequently a second collateral is handed over to the banks for additional security. The seasonal nature of the greater part of Australian production appears to be the main argument for this form of bank assistance, and, notwithstanding the theoretical objections which have been brought against it, the system of advances against produce has been found to work very well on the whole.

The method of financing by means of granting overdrafts is a very popular form of bank finance in Australia, and is extensively availed of by manufacturing, commercial and other concerns. The use of the overdraft permits the full utilisation of the borrower's assets,

though it must be admitted that this advantage over the "loan" form of assistance so common in America is much greater in theory than in actual practice. Really there is little difference from the borrower's point of view between borrowing on overdraft secured by the deposit of collateral, and being granted a straight-out loan by the banks, secured by collateral. From the statistical point of view, however, there is a big difference, so much so that any comparison of a nation's banking figures where the "Overdraft" system is extensively used with the figures of another nation where the "Loan" is the principal form, is likely to give quite misleading results. In the case of a loan, or advance, the whole amount is placed to the credit of the borrower's account, a corresponding entry being made in the Loans' account of the bank. Accordingly, the total of this loan figures in the totals of both loans and deposits, and this total is not materially altered until the period of maturity of the loan.

Generally, the drawing of cheques against a loan deposited with the borrower is almost immediately reflected by the deposit of a similar amount in the payee's account with some other bank, so that the total of deposits remains the same. Only when the account is drawn upon, and the cheques are unpresented by the payee, is there any difference. On the other hand, with the overdraft system, where a limit is fixed to the amount which may be overdrawn, the undrawn portion of such overdraft does not figure in the totals, and accordingly is quite an unknown quantity. Hence, there is no warrant for assuming that Australian loan procedure is much more conservative than that of the United States, because the ratio of loans to deposits in the United States is, say, 100%, compared with a ratio of, say, 85% in Australia. The term "loans," of course, is here used in a generic sense. To what extent the undrawn portion of the total overdrafts of Australia figures in the item of "All Debts due to the Banks" is difficult to say, as the overdraft method of borrowing is taken

advantage of extensively by such large borrowers as the Commonwealth and State Governments, as well as by Municipalities and Shire Councils. In any case, some allowance must be made for this feature in any assessment of the relative credit standing of the banking systems of Australia, and other countries.

Of the discount method of financing little need be written, as it does not vary a great deal from banking practice overseas. It should be noted, however, that the banks in Australia publish two tables of money rates, etc. In one is given, *inter alia*, the buying rates at so much per cent. premium or discount for bills drawn on London, and in the other is given the rate of discount. The first, of course, is quite obvious in meaning, and refers to the discount or premium per cent. at which the banks will buy bills on London, these bills usually being drawn against the shipment of goods from Australia. The second, that is, the discount rate, however, applies only to the discounting of bills locally drawn and payable in Australia.

The old-fashioned method of granting financial assistance in the form of a Cash Credit appears to have fallen into disuse of late years. As is well known, this is a form of advance secured by personal guarantee, and apparently had considerable vogue years ago in the early stages of the country's development when opportunities were many, and men with capital ready to take advantage of them, few. Loans on personal security are still made, but their purpose would appear to be in a different category to what it was originally.

The "Loan" type of bank assistance is seldom to be met with in Australian trading bank finance. As a rule it applies to long term loans, or to certain lending transactions carried out by individuals and institutions other than the trading banks. It is more frequently to be met with in the transactions of the Savings Banks, Credit Foncier Banks, Agricultural Banks, Insurance Companies, and the like, all of which specialise in this type of investment.

The balance of the item "All Debts due to the Banks" shown in the quarterly returns is principally confined to the investments of the banks, and, where shown on bank balance sheets, to "call" money on the London market. Frequently, however, this latter item is given separately. Strictly, the total amount of "Investments" should correspond with the total capital and reserves of the banks, but this is by no means an inflexible rule, so far as Australia is concerned. It is really exceedingly difficult, if not impossible, to segregate wholly the investments in Government and other securities from the advances, discounts and overdrafts due to the banks, as such separation is not compulsory under certain of the State Banking enactments in force. Further, the lumping together of the various forms of advances, discounts, etc., into one figure, does not facilitate interpretation of the statistics offered. Compared with the American and Canadian statements, the Australian returns are relatively inscrutable, but such as they are, one must make the best of them.

The absence of a Bills Market in Australia naturally limits the scope for the employment of surplus bank funds. One consequence is that, should the course of overseas trade be such that considerable balances have accumulated in London, they are largely retained there for employment in the London money market. The persistence of a one-sided balance over a period of years will, of course, lead eventually to rectification in some degree by the shipment of gold, or by the transfer of credit per medium of finance bills. But little opportunity is offered in this country for the profitable use of short term loans, such as from day to day, week to week, and the like. Even the share brokers in Australia utilise the overdraft system largely in their everyday transactions.

The cash reserves of the Australian banks for the most part are made up of bullion and specie and Australian notes. It must not be inferred, however, that their holdings of Australian notes have been acquired

by the deposit of an equivalent amount of gold with the note issue department of the Commonwealth Bank. A very large proportion of the notes was secured from the Commonwealth Government in war time for services already rendered or to be rendered, but with the reversion to the Gold Standard in 1925, the stabilisation of prices, the subsequent reduction in the total value of notes issued, the secular growth in the demands of the country for bank assistance aided by favourable seasons, with a consequently larger spending power, the total cash reserves bear a much lower, and much more workable proportion to other bank items than they did a decade ago. Before the war, it was generally assumed that "safe" ratios were:—20% for the ratio of cash reserves to deposits and 80% for the ratio of loans to deposits. It will, perhaps, be interesting to utilise these ratios in one or two calculations.

The following preliminary data are necessary. The selected years are types of "extremes" insofar as banking is concerned, 1892 being the year before the great Bank crisis, 1915 the year when the banks held the maximum of cash reserves relatively to their liabilities, and June, 1927, which witnessed the trough of the last financial stringency. Calculations also have been made for the June quarter of 1928, these being the latest available. To render the comparison more valid, the figures for the trading banks only are taken, those for the Commonwealth Bank being omitted.

	June Qtr. 1892. £Mns.	Sept. Qtr. 1915. £Mns.	June Qtr. 1927. £Mns.	June Qtr. 1928. £Mns.
Average Cash Reserves held	15.9	55.6	48.7	52.0
Average value of Debts due to Banks	129.0	122.7	247.1	245.8

By the application of the above ratios, we can arrive at the theoretical value of the loans, advances, etc., which the above average cash reserves are capable of bearing. A comparison then with the actual advances made should yield interesting results.

	June Qtr. 1892. £Mns.	Sept. Qtr. 1915. £Mns.	June Qtr. 1927. £Mns.	June Qtr. 1928. £Mns.
Cash Reserves	15.9	55.6	48.7	52.0
Multiplier	5	5	5	5
Theoretical Deposits . . .	79.5	278.0	243.5	260.0
80% of above equals theoretical Loans . . .	63.6	222.4	194.8	208.0
Actual Advances, etc. . .	129.0	122.7	247.1	245.8
Excess of Actual	65.4	—	52.3	37.8
Excess of Theoretical . .	—	99.7	—	—
% Actual to Theoretical	203	55	127	118

The state of affairs in 1892 is sufficiently evident, the banking policy and practice of that period being a phenomenon to marvel at. Advances of £10 on mining shares worth £1, together with substantial advances on house property which changed hands sometimes as often as six times in one day, sufficiently account for the extraordinary proportions which the actual advances bore to the theoretical (203%). In 1915, however, the position was the reverse, the cash reserves of that year being considerably augmented by the addition of £30 millions of Australian notes, newly run off the printing press for war purposes. The ratio of actual to theoretical loans at that period was barely more than one-half (55%). In the June quarter of 1927, when the banking position was deemed to be strained, a comparison of the two shows that the general belief was well founded, the percentage of actual loans to theoretical loans being 127. In the June quarter of this year (1928), the position had improved somewhat, but even so, it could hardly be classified as satisfactory.

In fact, since 1915 the secular trend of bank credit has been definitely and unmistakably down. It is exceedingly doubtful, however, whether this downward trend should be taken too seriously. In the first place, there has been a certain economy in the use of gold for currency purposes, and from a calculation which the

writer has made, this economy results in the cash reserves of the banks being some 20% greater in potential credit value than they were before the war, when gold circulated freely in the hands of the public. Again, statistical analysis indicates that after the bank crisis of the 'nineties, the credit policy of the banks was an exceedingly conservative one, there invariably being an ample margin of deposits over advances and overdrafts. Since the war, there has probably been some relaxation of this conservative outlook, in that the banks may regard 90% of loans to deposits as a reasonably safe limit, instead of the 80% originally conceived. Applying these empirical percentage adjustments to the latest data under review (June, 1928), there would be an excess of theoretical advances over actual of £3.8 millions instead of a deficiency of £37.8 millions as shown in the statement above. Thus, the present credit situation may be considered reasonably sound, although it cannot be deemed to be entirely free from anxiety as regards future loaning policy. Doubtless, the various Governments, who obviously depend upon a sound banking situation for the more complete satisfaction of their requirements, were well aware of this feature when they agreed at length to associate themselves with a Loan Council for the purpose of co-ordinating their loan policies, thus reducing competition to a minimum.

Obviously, the general credit policy of the banks is bound up with the whole question of central banking, and the Commonwealth Bank, created by the Commonwealth Government in 1911, is gradually assuming the position of a central bank. Apart from the fact that the Commonwealth Bank is a political entity, thus engendering a suspicion in the minds of many people that the Bank's future monetary policy may be jeopardised by an unsympathetic party in power, there was, until recently, the objection that the many activities of the Bank, in which it directly competed with the private banks, the Savings Banks, and the Rural and Agricultural Banks, worked inimically to

its interests in its capacity as a central Bank. That this was no idle fancy can be proved by an examination of the Commonwealth Bank's quarterly averages throughout its history, which reveals at times quite an amazing relationship between the various items. There have been occasions, years ago, it is true, when the average cash in the Commonwealth Bank was not sufficient to cover the deposits in the Savings Bank Department at the ordinary percentage limit customary for Savings Banks in Australia, and yet, at the time it was carrying, in addition, many millions in deposits in its ordinary banking department. Admittedly the circumstances then were exceptional, but the result of a statistical investigation but confirms the remark of a highly placed bank official that the fluctuations in the Commonwealth Bank figures were more often than not difficult to interpret, and left the investigator in a state of uncertainty as to their nature, cause, and effect. Thus the apparently inconsequential nature of some of its activities militated to some extent against the complete acceptance by the ordinary trading banks of its central bank features.

A recent balance sheet of the Bank, however, which was published on September 20th last, reveals evidence of considerable change. By the Commonwealth Bank Act Amendment Act of 1927, it was enacted that the assets and liabilities of the Savings Bank Department of the Commonwealth Bank be transferred to the Commonwealth Savings Bank, an entirely separate institution. The balance sheet recently issued is the first intimation to the public that this segregation has been carried out. Formerly, the Savings Bank business was merged in the other activities of the Bank so far as published information went. Now it is shown separately. Further, the directors of the Bank publish a report with the balance sheet, giving an analysis of the financial and economic situation. Since July, 1927, weekly statements have been issued by the bank, and it is also buying and selling London exchange. These developments coupled with

the limitation of its activities to its general banking functions make its operations more those of a central bank.

But the principal function which the trading banks expect from the Commonwealth Bank is the issuing of Australian notes when circumstances warrant it. By the powers given under the various Commonwealth Bank Acts, this can be done in two ways, first, by rediscounting the trade bills offered by the ordinary banks, providing they have not more than 120 days' currency; second, by the issue of notes in Australia against the deposit of gold with the Commonwealth Bank in London. Under the system whereby notes nowadays are practically inconvertible, the rediscounting feature has obvious elements of weakness, especially in times of impending crisis, when prices may fall heavily. With no domestic drain on the bank's holding of gold by the public returning surplus notes for gold, there is no automatic check which will enable the note issuing authorities to regulate the issue. Accordingly, they are obliged to rely upon other empirical methods for estimating a "safe" maximum.

The practical nature of the second system whereby notes may be issued in exchange for gold deposited with the Commonwealth Bank in London, is readily apparent. Where a succession of favourable seasons brings about an accumulation of funds in the Australian Banks in London, the use of these funds in the purchase of gold from the Bank of England, or from some other source, and its deposit in the Commonwealth Bank's name in London, permits the issue of notes in Australia to the trading banks, and thus saves the expense and risk incidental to the shipment of gold to Australia. In a similar manner, when the additional notes are no longer required in Australia they can be handed back, when the London branch of the Commonwealth Bank may transfer to the London branches of the other Australian banks or to their order an equivalence in gold which can then be employed in various

profitable ways in the world's financial centre. The problem, however, is not so acute nowadays as it was in 1923, when the free movement of gold was severely restricted, but with the resumption of this free movement, the main advantage nowadays is in the saving of time and expense. Unfortunately, however, the method is only really applicable at those times when the balance of trade is favourable to Australia. It is not quite so workable when the balance of trade is persistently unfavourable, with London balances exhausted, and the local banks in want of additional notes to finance weak clients during difficult, or waiting, periods. The rediscount system is the more suitable then, but even this suffers from the fact that if the notes are required for financing borrowers pending the growth and cultivation of wheat and wool, the bills will not be in existence for rediscount purposes. There are, of course, other solutions to the problem, particularly in regard to the cultivation of reciprocal relations between the Commonwealth Bank and the other banks. A recent example of such reciprocity was the Banks' Export Pool, whereby all wheat and wool bills were pooled in conjunction with the Commonwealth Bank.

Important though the trading banks and the trading department of the Commonwealth Bank are in financing the needs of the community, there is still a vast amount of financing, which these banks, by their nature, are unable completely to undertake. Capital purchases and improvements, particularly relating to land transactions, are not fully catered for by the trading banks, though doubtless a certain amount is done, based largely upon their fixed deposits. The greater portion of this type of financing, however, is done by the Savings Banks and other long term credit institutions. The necessity for retaining a fluidity in the Savings Banks' funds means, of course, that there must be a sufficient cash backing, or its equivalent, in liquid securities. Usually, 20% must be held in cash and in deposits in the trading banks, while the greater portion of the balance must be

invested in approved securities which can be easily liquidated if required. Naturally, the various Governments find the Savings Bank deposits very useful indeed, for a large proportion of such funds are invested in government securities. Apart from the foregoing, the Savings Banks may make loans upon the mortgage of land, providing such land is not subject to a prior encumbrance, mortgage, or charge in favour of any person other than the Commissioners of the Savings Banks.

A large number of the Savings Banks, however, run a separate department, termed either a Credit Foncier, or Rural Bank Department. These departments draw their working capital and other funds largely from the Savings Bank Department, and afford a ready means whereby funds too ample for investment in the ordinary channels can be granted on the mortgage of land, with an ample margin of security, for a lengthy period of years. In the main essentials these departments function much as do the ordinary trading banks; that is, they may deal in land, receive money on deposit, issue bills and drafts, grant letters of credit, discount bills and drafts, etc., etc. On the other hand, their field is a restricted one. They facilitate closer settlement on private estates, make advances for the purchase of farm lands, and, in general, farmers may borrow on the security of any agricultural, pastoral, horticultural or viticultural land held in fee simple, or on conditional purchase. In Victoria, for example, loans must be for not less than £50, nor for more than £2000. The margin of security required is 40%. In the same State, the Credit Foncier Department may also advance money to companies for the erection of works for freezing, packing, or storing commodities which come within the ambit of certain defined Acts.

In four of the States there are special State Banks which undertake this class of work, namely, Queensland, South Australia, Western Australia, and Tasmania. With the exception of South Australia, they are known as

Agricultural Banks, and they perform a service to the community in their respective States similar to that of the Credit Foncier or Rural Bank Departments of the other States. Necessarily, while agreeing in principle, they, of course, differ in detail. Of private agricultural banks, there is but one, and as yet its operations are relatively on a small scale; moreover, it partakes of the nature of a commercial bank in many of its transactions. Theoretically, it would seem that private banks of this nature might require the support of the larger commercial banks in difficult periods, especially in those cases where the funds are expected, but fail, to be provided by the people who become borrowers.

Various forms of financing are, or can be, undertaken by Co-operative Credit Societies, for which the New South Wales Co-operation, Community Settlement and Credit Act of 1923, with subsequent amendments, makes provision. Under this Act, Rural Societies, Trading Societies, Community Settlement Societies, Urban Credit Societies, and Investment Societies may be formed for the objects defined in the Act. The finances of these societies may be obtained from capital subscriptions by members, from borrowing on mortgage, and from sums deposited by members and others. All, with the exception of Investment and Community Advancement Societies, may receive deposits. The objects of the Societies established to date are briefly indicated by their titles, but their activities do not warrant more than casual mention. In the Rural and Trading Societies, advances may be made to members against the delivery of produce to the Societies in question. Community Settlement Societies, however, may grant loans to members for the purchase of land, for making improvements, and for the purchase of implements. Building Societies may grant loans to members upon the security of freehold or leasehold under certain conditions, while some of the Societies, such as the Rural Credit Societies and Urban Credit Societies, may make advances to other Societies.

Mention should also be made of the Pastoral Finance Companies, an important part of whose business consists in making advances against the sale and shipment of produce abroad, and in the granting of loans on land, sheep stations, stock, wool clips, and other securities. Added to these also are the loans on mortgage made by the insurance companies of Australia, the total loans of this group during 1926 being well over £40 millions. Further, there are the investments of the Trustee, Executor and Agency Companies and of the various Friendly Societies. Lastly, are the loans made directly by the various Governments through the appropriate Departments to Rural Industry. The settlement of soldiers on the land, housing schemes, and the like account for quite a considerable sum. The following is an estimate of the amount of money loaned out, such loans having their origin in one or other of the institutional types discussed in this chapter. The amounts shown are the outstanding amounts, and the figures are the latest available, without regard to the synchronising of the periods of each.

	£ Mns.	£ Mns.
Commonwealth Government	1	
State Governments, direct or through the Savings Banks, Credit Foncier, Rural, or Agricultural Banks	43	44
Insurance Companies	42	
Trustee Companies, etc.	1	
Building, Investment Societies .	8	
Pastoral Finance Companies . . .	23	
Friendly Societies	8	
	—	82
Total for above classes		126
Commerical Banks		247
Grand Total		£373 Millions

The proportion of Trading Bank advances to total advances is 66%.

CHAPTER VII.

AUSTRALIAN TRADE IN THE PACIFIC.

E. T. MCPHEE.

In the following sketch of the development of Australian trade with other Pacific countries comparisons are based on the annual average of the transactions of the five-year periods 1905-9 and 1923-27, thus covering an interval of eighteen years. By this average annual method any abnormal results of single years are avoided in a large degree. The year 1905 was taken as the starting point for the comparison, because it was in that year that imports into Australia were first recorded against the "country of origin" of the goods. Much of the interval between the periods compared was quite abnormal on account of the war, which, moreover, had a very decided effect on the direction of the trade of Australia as it stands to-day.

To view, in proper perspective, the importance of Australian trade in the Pacific, and the development which has taken place in that trade, it is desirable to notice the proportion which it bears to the total trade with all countries.

Share of Pacific Countries in the Trade of Australia.

The following table shows the percentage share of Pacific countries in the total trade of Australia:—

	Annual Average			
	1905-9		1923-27	
	Imports	Exports	Imports	Exports
	%	%	%	%
Merchandise	21.63	14.20	37.38	23.99
Gold	96.37	19 75	58.98	62.93
Total	23.86	15.24	37.72	25.21

In the earlier period Pacific countries supplied 21.63 per cent. of Australia's imports of merchandise, whereas in the later period they supplied 37.38 per cent., thus their share in our import trade of merchandise had increased by nearly 73 per cent. During the same period the share of our exports of merchandise which was taken by Pacific countries increased from 14.20 per cent. to 23.99 per cent., an increase of about 69 per cent.

The increase in the percentage of the Australian trade, done with Pacific countries, and obversely the smaller *proportion* of the trade that was done with European and other countries, does not imply any diminution in the actual dimensions of the trade done with the latter, but merely that the younger trading countries bordering on the Pacific have increased their trade with Australia at a faster rate during the period under review than the older trading countries have done. That the commercially younger countries should increase their relatively small trade at a rate faster than the older countries increased their larger trade is only natural. This natural manifestation, however, in the trade of Japan and of the United States of America received a tremendous impetus from the disabilities inflicted on European countries by the war.

Movements of Gold.

The figures relating to gold are relatively unimportant, and although the proportions moved between Australia and Pacific countries differ greatly, the actual values of such movements were almost identical for both periods, the altered proportions being due to the change in the dimensions of the total movements of gold to and from Australia. The changes in gold movements between Australia and other Pacific countries will be best apprehended from the figures in the following table:—

Movements of Gold Between Australia and Other Pacific Countries.

Groups of Countries	Annual Average			
	1905-9		1923-27	
	Imports	Exports	Imports	Exports
	£1000	£1000	£1000	£1000
Countries in America ...	—	781	1,126	2,676
Countries in Asia, including Japan	—	1,061	—	47
Islands, including New Zealand	1,356	604	236	10
Total	1,356	2,446	1,362	2,733

As the movements of gold are relatively insignificant and are not always easy to explain, attention will be devoted hereafter solely to the trade in merchandise.

Effect of Increased Prices.

In considering the increase which has taken place in the value of imports and exports it is necessary to make some allowance for the abnormal changes in prices which have taken place during the period under review. No satisfactory index of the change in import prices can be computed from import data, because an insufficient proportion of the imports into Australia is recorded by quantity, values only being registered. Export index numbers are available for each year throughout the period covered by this comparison, and although results obtained from the aggregate of exports—because of the varying composition of the trade with different countries—will not apply with exactitude to the trade of individual countries or groups of countries, they may be accepted throughout as a general indication of the effect of the price factor in the registered value of trade. As the compilation of an index number for the trade of each country cannot be undertaken for the purpose of this review, the conversion of values, in the later period, to the plane of values ruling in the earlier period will be made on the assumption that the change of prices

ascertained from Australian export figures applied equally to the imports and exports of individual countries. The export price index numbers show that during the eighteen years under review prices had risen 85 per cent. Reference will be made later to some items which have entered into the trade during the period, and consequently have not been affected by price changes, so far as the comparison between the two periods is concerned. The figures given hereafter as representing the quantitative volume of trade must be accepted as only roughly approximate to the truth, but notwithstanding this imperfection, they will give a better impression of the development which has taken place than would be given by the registered values which in the later period have been so inflated by higher prices. Both sets of values, however, are shown in the tables which have been inserted.

Development of Australian Trade.

The following figures show the value of Australian trade in merchandise as registered for official statistics, and also the approximate volume of the same trade on the assumption that prices had not changed. The latter figures, which are in parenthesis, have been obtained by dividing the registered figures by 1.85.

Groups of Countries	Annual Average			
	1905-9		1923-27	
	Imports	Exports	Imports	Exports
	£1000	£1000	£1000	£1000
Pacific Countries ...	9,901	7,584	54,904 (29,675)	32,201 (17,405) (a)
Other Countries ...	35,865	45,833	91,962 (49,708)	102,025 (55,150) (a)
Total	45,766	53,417	146,866 (79,383)	134,226 (72,555) (a)

(a) The figures in parenthesis represent the estimated value of the trade during 1923-27 at the prices ruling during 1905-9.

The above figures show that Pacific countries increased their sales to Australia (on a quantitative basis)

by £19,774,000, or nearly 200 per cent.—from £9,901,000 to £29,675,000—while the imports from other countries increased by £13,843,000, which, in relation to the larger volume of the trade, represents an increase of 38 per cent. only. Similarly, Australian exports to Pacific countries increased by 131 per cent. and to other countries by 20 per cent. only. In view of the almost sensational disparities between these rates of increase, it might be well to turn to the earlier table, and to observe again that the share of our imports from Pacific countries is still only 37.38 per cent. and the share of our exports to them is only 23.99 per cent.

Trade with Major Groups of Pacific Countries.

Before dealing with the trade of individual countries it is of some interest to observe the distribution of the trade among the three major groups of countries:—(1) Countries bordering on the Pacific littoral of America; (2) countries on the Pacific littoral of Asia, including Japan; and (3) islands in the Pacific Ocean, including New Zealand and the East Indies.

*Trade of Australia with each of the Three Groups of Countries in or bordering on the Pacific Ocean.
Excluding Gold.*

Groups of Countries	Annual Average			
	1905-9		1923-27	
	Imports	Exports	Imports	Exports
	£1000	£1000	£1000	£1000
Countries in America	6,535	2,666	38,856 (a) (21,000)(b)	9,811 (a) (5,303)(b)
Countries in Asia including Japan	1,068	1,634	6,124 (a) (3,312)(b)	13,902 (a) (7,514)(b)
Islands including New Zealand and East Indies	2,298	3,284	9,924 (a) (5,363)(b)	8,488 (a) (4,588)(b)
Total Pacific Countries	9,901	7,584	54,904 (a) (29,675)(b)	32,201 (a) (17,405)(b)

(a) Values as registered for Official Statistics.

(b) Approximate values at prices ruling during 1905-9.

Of the imports into Australia from Pacific countries during the later period American countries supplied 71 per cent.—the United States furnished 63 per cent. and Canada 8 per cent., with some small contributions by Central and South American countries; Asiatic countries supplied 11 per cent.—Japan, 7.72 per cent.; Malaya, 1.86 per cent.; China, 1.46 per cent.; and the Pacific Islands contributed 18 per cent.—Netherlands Indies, 10 per cent.; New Zealand, 4.25 per cent.; Phosphate Islands, 1.5 per cent.

Of Australian exports to Pacific countries during 1923-27 Asiatic countries took 43 per cent., American countries 31 per cent., and the islands, including New Zealand and the East Indies, took 26 per cent. Among the Asiatic countries Japan is by far the most important in regard to the purchase of Australian produce. During the period 1923-27 Japan took £10.7 millions, per annum, or 77 per cent. of the total exports to the Asiatic group (£13.9 millions), followed next by British Malaya with £1.7 million. Of the exports of merchandise to American countries, the United States took 90 per cent. and Canada 7 per cent. Of the Australian export trade with islands in the Pacific, 48 per cent. was to New Zealand, 23 per cent. to Netherlands Indies, 6 per cent. to the Philippine Islands, 5 per cent. to Fiji, 4 per cent. to the Mandated Territory of New Guinea, and 3 per cent. to Papua.

Character of Trade with Particular Countries.
American Countries.

United States of America.—Measured by the volume of its trade with Australia, the United States is by far the most important of the Pacific countries. On the average of the five years 1923-27 the registered value of the imports of merchandise into Australia from the United States was £34,227,096. On the basis of prices ruling during 1905-9 the registered value of £34,227,096 would be reduced to about £18,500,000, which would compare with the annual average registered value of

£5,978,753 during the years 1905-9. In view of the fact that much of the trade in motor vehicles and things accessory to automobiles, such as motor spirit, rubber tyres, etc., has come into being during the interval, it is probable that the sum of £18,500,000 is unduly low; nevertheless it represents an increase of over 200 per cent. in 18 years.

The recorded average value of gold imported from the United States during each of the years 1923-27 was £1,125,940.

The recorded average value of exports of merchandise from Australia to the United States during 1923-27 was £8,809,101, which was supplemented by £2,676,202 in gold. Eliminating the effect of price, the value of merchandise would be reduced from £8,809,101 to approximately £4,750,000, which compared with the similar trade in 1905-9 represents an increase of about 150 per cent. in 18 years.

Imports from the United States comprise all classes of goods, from raw materials, such as undressed timber, unmanufactured tobacco, etc., to highly manufactured goods of all kinds. The annual values of various classes of goods imported from the United States during 1923-27 were:—Foodstuffs of animal origin, £451,530, the principal items being fish and sausage casings; foodstuffs of vegetable origin, £248,642; tobacco, £2,202,057; animal substances, mainly unmanufactured, not foodstuffs, £40,297; vegetable substances and fibres, £129,010; apparel, textiles and manufactured fibres, £2,138,394; oils, fats and waxes, £4,891,600, including petroleum spirit £2,936,394 and lubricating oil £850,378; paints and varnishes, £155,417; stones and minerals, including ores and concentrates, £168,014; metals, metal manufactures and machinery, £15,814,741, including motor car bodies and parts, £846,263, chassis £5,967,535, and motor cycles £273,253. During the five years of the period 1923-27 the imports of motor bodies and chassis almost trebled in value; in 1926-27 the imports of American motor car bodies and parts amounted to £1,261,898

and of chassis to £7,897,388; rubber and manufactures of rubber, £1,223,722; leather, £248,057; wood and wicker, raw and manufactured, £2,706,854, including undressed timber, £2,251,073; earthenware, cements, china, glass and stoneware, £200,125; paper and stationery, £666,742; jewellery, timepieces and fancy goods, £276,174; optical, surgical and scientific instruments, £694,980; drugs and chemicals, £710,716—including sulphur £261,185; miscellaneous, £1,256,904—including musical instruments and parts, £680,333. Imports from the United States were supplemented by some Alaskan produce amounting to £120,165, consisting mainly of fish and furs.

Exports of Australian produce to the United States consist almost entirely of raw materials, the principal items being—wool, £5,205,059; hides and skins, £2,461,862; pearlshell, £251,155; tin, £157,372; copper, £25,037; osmium, iridium, etc., £25,037; leather, £20,819; eucalyptus oil, £16,008.

Canada.—During the period 1923-27 the imports of Canadian origin represented an annual value of £4,314,866, which if reduced to the level of prices during 1905-9 would be about £2,332,000, as compared with an annual average of £472,445 imported during that period, an increase of about 400 per cent. During the same time the Australian exports to Canada on the basis of uniform prices in both periods increased from £212,010 per year during 1905-9 to about £362,000—an increase of 70 per cent.

The imports from Canada are of a general nature, the more important classes being foodstuffs of animal origin, £346,054, of which £345,226 was fish; apparel, textiles and manufactured fibres, £177,503, the principal items being boots and shoes £58,039, and gloves £38,590; metals, metal manufactures and machinery, £2,427,521—motor car bodies £45,756, chassis and parts £1,439,000, agricultural implements £328,522, electrical appliances and machinery £44,271, motive power machinery (not electric) £65,622; rubber and leather,

and manufactures of, £419,943, of which almost all was rubber; wood and wicker, raw and manufactured, £350,036; paper and stationery, £445,246; drugs and chemicals, £21,038; musical instruments and parts, £38,227. The principal items of Australian export to Canada were sugar, dried fruits, wool, hides and skins, and meats. Butter to the value of £171,844 was exported to Canada during 1925-6, but this trade was not maintained.

Mexico.—The average value of imports from Mexico during the years 1923-27 was £68,375, which was almost entirely of bitumen. The average exports to Mexico represented less than £3000.

Panama.—The imports from Panama averaged only £670, and the exports amounted to £11,174. The exports, however, comprised butter £22,873 and beef £32,204, exported during the one year, 1926-27.

Ecuador.—The imports from Ecuador (cocoa beans) represented an annual average of £26,758. During the period 1923-27 there were no exports from Australia to Ecuador.

Peru.—During recent years the imports from Peru have been negligible, though in earlier years considerable quantities of Peruvian rubber were imported. The exports to Peru during the years 1923-27 represented an annual value of £230,583, consisting mainly of wheat, flour and coal.

Chile.—The imports from Chile, consisting chiefly of nitrates, with some barley and oats, represented an annual average of £90,844 for the years 1923-27, and the exports, mainly wheat and coal, were valued at £87,357 per annum. The exports during the later period show a decline from £434,000 per annum during 1905-9. This decline is due to the use of oil instead of coal on the nitrate fields and to the development of coal mining in Chile.

Other American Countries.—From other American countries, including Guatemala, Salvador, Honduras,

Nicaragua, Costa Rica and Columbia, the imports amounted to an annual average of £7,004, while of exports there were none.

Asiatic Countries.

Russia.—The average annual imports from Russia during the years 1923-27 amounted to £43,643, and consisted chiefly of furs, hair and bristles, hides and skins, and timber. The exports to Russia during the same period amounted to only £279 per annum. The expulsion of the Russian trading organisation from London, however, has had the effect of instituting a direct export trade from Australia to Russia, and during 1927-28 wool valued at more than $1\frac{1}{4}$ million sterling was registered as exported to Russia. Formerly Russian supplies of Australian wool were procured in London.

Japan.—The trade between Australia and Japan has increased very substantially during the eighteen years covered by the comparison. The registered annual value of imports from Japan increased from £527,358 in 1905-9 to £4,239,154 in 1923-27, which, at the prices of the earlier period, may be taken as about £2,290,000, representing an increase of 334 per cent. in volume. Similarly, the registered value of exports to Japan rose from £1,129,654 to £10,783,542, which on the basis of uniform prices would be about £5,830,000, an increase of about 400 per cent.

Imports from Japan are of a general character, though apparel and textiles represented about $76\frac{1}{2}$ per cent. of the total during the five years 1923-27. The principal lines and the average value for each of the years 1923-27 were:—Foodstuffs of animal origin (mainly fish), £26,813; foodstuffs of vegetable origin, £35,934; animal substances, mainly unmanufactured, not foodstuffs, £49,074 (this item was mainly raw silk, of which £44,447 was imported during the year 1926-27); vegetable substances and fibres—cotton waste and grass straw, etc.—£58,509; apparel, textiles and manufactured fibres, £3,238,419; oils, fats and waxes, £50,151;

metals and manufactures of, and machinery, £44,279; wood and wicker, raw and manufactured, £197,889; earthenware, cements, china, glass and stoneware, £172,299; paper and stationery, £20,012; jewellery, timepieces and fancy goods, £113,667; drugs, chemicals and fertilisers, £43,126; brushware, £58,860.

The exports to Japan are mainly of foodstuffs and raw materials; the principal lines, and the annual average value during the years 1923-7 were as follows:—Foodstuffs, of animal origin, £267,569—the trade in this class shows a continuous diminution from £533,119 in 1922-23 to £92,120—an experience which was common to butter and to milk and cream. Foodstuffs of vegetable origin, £2,210,369 (wheat, £2,142,689); animal substances (mainly unmanufactured), not foodstuffs, £6,849,570, including wool £6,705,387, and hides and skins £41,395; oils, fats and waxes, £457,619 (tallow £450,215); metals, metal manufactures, and machinery, £854,367 (this trade—mainly lead and zinc—has declined by half since 1922-23, when it was recorded at £1,059,303); drugs, chemicals, £70,299; casein, £20,163; sulphate of ammonia, £54,058.

China.—The Australian trade with China shows a relatively small expansion during the eighteen years covered by this review. During 1905-9 the average annual imports were valued at £312,445 and the exports at £304,989; whereas for the years 1923-27 the corresponding figures were imports £805,481 and exports £781,164. If the latter amounts are reduced to eliminate the effect of price changes, the increase in the volume of trade would be in the neighbourhood of 40 per cent. for both imports and exports. The imports from China are mostly in the nature of foodstuffs and unmanufactured goods, with some apparel and textiles, furniture, fireworks and fancy goods. The average annual value of principal lines imported during 1923-27 was:—Foodstuffs of animal origin, £35,401; foodstuffs of vegetable origin, etc., £325,253, the principal items being tea, ginger, and edible nuts; animal sub-

stances—mainly bristles—£57,782; vegetable substances—raw cotton and grass straw—£43,115; apparel and textiles, £188,750; oils, £44,028; furniture, £20,816; fancy goods, etc., £10,944; drugs and chemicals, £22,033; fireworks, £12,900.

Exports—the principal lines exported to China were: butter, £61,596; milk and cream, £26,958; wheat and flour, £294,076; jams and jellies, £10,986; sandalwood, £69,717; tallow, £28,968; lead, £35,563; leather, £89,957; timber, £20,637; precious stones, £8,793.

Hong Kong.—Notwithstanding the higher prices the recorded trade with Hong Kong was less during 1923-27 than in 1905-1909. Hong Kong, however, is largely an *entrepot* port, and it is probable that much of the exports recorded thereto finds its ultimate destination in China, and consequently more direct shipments may account for the apparent stagnation. The principal exports to Hong Kong were:—Butter, £53,712; meats, including bacon and ham, £44,763; milk and cream, £22,694; flour, £110,879; sandalwood, £134,771; lead, £53,352; leather, £105,125.

Malaya (British).—The imports from British Malaya increased from £147,293 per annum during 1905-9 to £1,021,454, of which 80 per cent. was rubber. The exports to Malaya increased from £450,399 per annum during 1905-9 to £1,696,564 in 1923-27, or to about £916,000 at the earlier prices. The principal exports to British Malaya during the years 1923-27 were: average annual value—butter, £89,565; meats, including bacon and hams, £100,131; milk and cream, £578,808; fruits, fresh and preserved, £19,623; flour, £504,901; sheep, £16,531; sandalwood, £21,377; lard and refined animal fats, £8,254; coal, £42,630; machinery and metal manufactures, £125,923; leather, £30,986; soap, £33,977.

Islands in the Pacific.

Of imports into Australia from islands in the Pacific during the years 1923-27 about 50 per cent. was from the Netherlands Indies and about 25 per cent. from New

Zealand; and of the exports to the islands about 22 per cent. was to the Netherlands Indies and 48 per cent. to New Zealand. The increase in the value of imports from the islands, apart from the effect of increased prices, was due mainly to the larger imports of petroleum and its derivatives from the East Indies, and in a much smaller degree to the larger imports of phosphate rock from the phosphate islands. An outline of the character of the trade with the islands in the Pacific, together with the average imports for each of the years 1923-27, is as follows:—

Netherlands Indies.—Imports: Coffee, £67,621; spices, £24,536; tea, £1,720,083; flax and hemp, £86,060; kapok, £370,655; kerosene, £134,207; petroleum, crude, £343,910; petroleum spirit, £2,272,695; other petroleum products, £48,649; rubber, £110,762. Exports: Butter, £463,805; meats, including bacon and hams, £83,495; milk, £181,308; biscuits, £61,210; flour, £734,759; cattle, £13,148; coal, £84,627; fruit, fresh, £22,638; leather, £102,691; soap, £32,480.

New Zealand.—Apart from the increase of prices, there has been little expansion of the trade between Australia and New Zealand in merchandise, but a much larger proportion of exports from Australia to New Zealand is now of Australian origin than formerly, when re-exported goods furnished a larger part of the trade. The average annual value of the principal classes of goods comprising the Australian trade with New Zealand during the years 1923-27 were:—Imports: Foodstuffs of animal origin, £436,505 (butter £235,932); foodstuffs of vegetable origin, £131,564; animal substances (mainly unmanufactured), not foodstuffs, £701,388; vegetable substances and fibres, £224,319; oils, fats, etc., £51,558; timber, £573,904. Exports: Foodstuffs of vegetable origin, £1,395,953; alcoholic liquors, £96,692; tobacco, £292,950; vegetable substances and fibres, £43,780; apparel, textiles, etc., £248,024; oils, fats, etc., £96,509; paints, £33,494; stones and minerals,

£592,706 (coal £576,075); metals and metal manufactures, £487,687; rubber and leather, and manufactures of, £200,725; wood and wicker, etc. (timber), £517,043; earthenware, cements, china, glass and stoneware, £73,843; paper and stationery, £138,668; jewellery, time-pieces and fancy goods, £39,453; optical, surgical and scientific instruments, kinematographs and phonographs, etc., £116,858; drugs, chemicals and fertilisers, £219,891.

Other Pacific Islands.—Imports from other islands in the Pacific consist mainly of phosphate rock, from Gilbert and Ellice Islands Colony, and from Nauru; copra, chiefly from the Solomons, New Guinea and Papua; cocoa beans from the New Hebrides; vanilla beans from the Society Islands; hemp from the Philippines; shells, hides and skins, and timber from various sources. Exports to the Islands are of a general character, the outstanding items being flour and coal.

Balance of Trade.

A striking feature of Australian trade with Pacific countries is the very pronounced disparity between the values of imports and of exports. The recorded figures for the trade in merchandise show for the period 1923-27 a balance adverse to Australia—an excess of imports—of an average of £22.7 million per year, which by movements of gold is reduced slightly to £21.4 million. The table on page 142 shows that the adverse balance in Australia's trade with American countries was even greater than the figures just quoted, the American results being modified to some extent by a balance, in the opposite direction, in our trade with Asiatic countries—mainly Japan.

This inequality in the records of the trade between Australia and the United States of America is by no means new. During the period 1905-9 the average annual imports of merchandise from the States was £5,978,556, and the corresponding value of exports was

£1,908,208, the relation of imports to exports being approximately 3:1, and during the years 1923-27 the imports were £34,227,096 and exports £8,809,101, a ratio of slightly less than 4:1.

The trade between Australia and the United States has caused some anxiety on both sides of the Pacific, and because the balance is "adverse" to Australia the expression of opinion on this side has not been altogether free from hostility.

It is undoubtedly a matter for regret that, as the result of an incomplete knowledge of the subject, the merest suggestion of impropriety or injustice, or even of disability, should be associated with a matter which, from its almost universal occurrence, is obviously a natural feature of international trade. Although a paper such as this may not be the proper vehicle for the discussion of the mechanism of international trade, the matter appears to be of sufficient importance to excuse a brief explanation of this aspect of the subject.

It must be realised in the first place that what is commonly spoken of as the trade of one country with another is really the sum of the commercial transactions between individual citizens of the respective countries, and not between the countries in their corporate or political capacity. The method of settlement between buyer and seller is the same, in principle, whether the parties are citizens of the same or of different countries. In neither case is the buyer concerned about any reciprocal transaction except that the buyer of goods from another country (the importer) may be interested, in the second degree, as a purchaser of exchange with which to liquidate his liability. It might be well to note here that a properly accredited bill of exchange drawn on London, whether drawn against wool shipped to the United Kingdom or against wheat shipped to Italy, will ordinarily liquidate a debt owed in New York as readily as a bill drawn on New York against hides shipped thereto. "Go where you will, in all quarters of the globe, in every civilised country, one might almost say in every

uncivilised country, a bill of exchange on London is the one medium of exchange which always has a ready market.''¹ A properly accredited bill of exchange on London will liquidate a debt in New York or elsewhere as readily as a Commonwealth bank note will perform a similar function in Australia. The only requirement is, therefore, that there shall be sufficient bills to meet the *total obligations to traders in all countries*. Otherwise gold must pass; imports will necessarily be curtailed, or credit extended until further exports (to some country) provide the necessary exchange to balance the trading account. Bills of exchange on London are gathered from the maelstrom of international trade currents by bankers and exchange brokers, and converted or redirected as exigencies require.

Properly construed, the multiple process by which these trade differences are settled is an evidence of the perfection of the machinery provided by banking and exchange organisations to enable citizens of different countries to avail themselves of the immense advantages of the international division of labour and to enjoy the products of other latitudes. A denial of these advantages by insistence on a direct balance of imports and exports between each two countries would mean a reversion to the primitive conditions of direct barter. Under such a primitive system, much of the present trade of the world could not be done, and consequently the present general standard of living could not be maintained.

The American people are an astute business people, and although the method of settlement may be obscure, those of us on this side who have been concerned about the apparently lopsided trade may rest assured that the Americans get all that is due to them for what they sell to Australians, and we may be equally sure that in due time their claims are settled by exports from Australia—not necessarily to America—of goods or services or by the transfer to American interests of Australian

1. Felix Schuster, quoted in *Free Trade in Being*, by Russell Rae (1908).

assets in the form of real estate or business interests as the result of the investment of American capital here. In this connection it is often forgotten that in recent years upwards of £35,000,000 has been loaned by American organisations to Australian Governments, and, in addition, substantial amounts of American capital have been invested in private ventures in Australia—notably in connection with the automobile trade. Against the imports which furnished the funds for these investments no corresponding export is required beyond a moiety for interest and profit until such time as the repayment of the capital becomes due.

A further factor of some dimensions which operates towards an equalisation of the Australian-American trade is the value of Australian wool which reaches the United States in high-class fabrics and apparel purchased by Americans from European countries.

If Australians have any complaint against Americans for their failure to reciprocate our purchases from them, a similar complaint would lie against Canada and the Netherlands Indies, whereas Japan, New Zealand and the Philippine Islands would have a similar grievance against Australia, not to mention other countries both within and without the Pacific.

Conclusion.

It has been shown herein that Australian trade with Pacific countries has increased within the period under review more rapidly than with other countries. Such a result is natural because it is impossible that the older trading countries of Europe can continue indefinitely to provide the same proportion of the expanding trade of the world. The trading disabilities suffered by European countries from the war gave to the United States and Japan an opportunity, of which they were quick to avail themselves, to extend their exports to Australia, and although the rehabilitation of European countries may temporarily modify the results of recent years, it

seems reasonable to suppose that, if political circumstances remain as they are, our trade with Pacific countries will in future represent an increasing proportion of our total trade. Such a result, however, need not imply any diminution of our trade with other parts of the world.

It is true that a large proportion of the imports from Pacific countries is of a different character from imports from European countries, inasmuch as they include petroleum products, tea, coffee, spices, rubber, etc., but the Australian trade with Pacific countries is dominated in volume by our trade with the United States and in our imports from that country highly manufactured goods have been an increasing part, while our imports from Japan, also, are mainly of a manufactured kind.

CHAPTER VIII.

AUSTRALIA'S TREATY RIGHTS AND OBLIGATIONS.

K. H. BAILEY.

Australia's treaty rights and obligations cannot be ascertained merely by collating the treaties to which the Commonwealth is a signatory. For, although Australia is a member of the League of Nations and of the International Labour Organisation, she is not a sovereign state, and two capital facts have constantly to be kept in mind. Australia is on the one hand a self-governing Dominion within the British Empire. She is on the other hand a federal state. Only by reference to those *tria capita*—of the League member, the British Dominion, and the Federal State—do Australia's treaty rights and obligations become explicable. We shall consider first her status within the Empire. It is not, however, within the scope of this chapter to make a detailed enquiry into the existing constitutional law of the Empire, nor to speculate upon its possible development. Dominion status has long been in evolution, and Australia's treaty rights and obligations actually belong more to previous stages of development than to the immediate present. Here we must, therefore, be retrospective in outlook, and the reader should turn rather a deaf ear to the resounding controversies of the day.

From the point of view of international law the capital fact in the constitution of the British Empire is that the treaty-making power belongs to the King. It is one of his Royal prerogatives. He alone can make treaties; all treaties properly so called are made in his name. From these familiar propositions have been drawn three important consequences. Firstly, it is to His Majesty that foreign powers have looked for the negotiation, the ratification, and the performance of international agreements, and in point of strict form this is still the case

to-day. It is true that a Minister who is *in fact* the representative of a Dominion may negotiate and sign a treaty affecting that Dominion, and that His Majesty may ratify the treaty *in fact* because the Dominion advises him to do so. But in point of form, the King acts in all treaty matters on the advice of the Imperial Secretary of State for Foreign Affairs. It is on his advice that His Majesty accredits a Minister to foreign capitals to transact diplomatic business concerning a Dominion—as he has done in Washington, Paris, and Tokyo in respect of Canada. In such cases the foreign power will negotiate directly with the Dominion Minister. In the case of Australia, no diplomatic representatives abroad have been appointed. The proper channel of negotiation with Australia is, therefore, the Secretary of State for Foreign Affairs. This is clearly true when the foreign power desires to enter into treaty relations with the Dominions generally. Thus when early in 1928 the United States desired to invite the Commonwealth to become an original signatory to the Kellogg Pact, the invitation came at the instance of and through the Imperial government.¹ But the same is probably true also in cases where the foreign power desires to conduct separate negotiations with one Dominion alone. This process is, however, a circuitous one, and it has given rise to a tendency, to be considered later, to conclude more or less informal agreements, not in treaty form, directly between governments concerned.

Further, it is on the advice of the Secretary of State that His Majesty grants full powers to a plenipotentiary to negotiate and sign a treaty on behalf of a Dominion. It is in the King's name that the plenipotentiary signs. The treaty itself will be expressed, both in title and in preamble, to be a treaty between His Britannic Majesty and the head of the foreign state. Lastly, it is on the Secretary of State's advice that His Majesty

1. The invitations to the Dominions were sent through different channels, those to Canada and the Irish Free State being delivered by the U.S. Ministers at Ottawa and Dublin, and to the other Dominions through the Foreign Office.

will deposit a ratification of the treaty. The amount of independent responsibility exercised by the Secretary of State when he advises His Majesty to accredit a Minister or name a plenipotentiary or ratify a treaty on behalf of a Dominion is in controversy, and the determination of the question is not significant for the purpose now in view. But the very fact that it is possible to contend that in all these respects the Secretary of State is acting merely as the channel whereby responsible advice from a Dominion may reach the Sovereign will serve to indicate at the very outset one of the main theses of this paper, that Australia's own will and consent have played an increasingly large part in determining her treaty rights and obligations.

A third consequence of the fact that the treaty-making power is a Royal prerogative is that the assent of the legislature is not a necessary condition of its exercise. This is a feature which calls for special attention, since it differentiates the constitution of the British Empire from many other modern constitutions. The cabinet system of government, whereby the King acts upon the advice of ministers responsible to the lower house of the legislature, has in modern times greatly lessened the importance of the prerogative. Very few British governments would consult the legislature before entering on negotiations or even before making a treaty. But very few British governments would advise the ratification of anything but a very minor treaty without first consulting Parliament. For one thing, "committing the country behind the back of Parliament" is apt to earn the displeasure, not only of Parliament, but of the electorate. For another, legislative action will very frequently be necessary in order to give effect to the treaty, and the concurrence of Parliament will, therefore, be a political necessity. Dominion governments are especially chary of expressing their concurrence in the ratification of any treaty without affording an opportunity for Parliamentary discussion. They prefer to obtain Parliamentary assent even before the treaty is

signed. But this latter practice is not by any means universal. In the present year, for instance, the Commonwealth Government indicated its readiness to accept the Kellogg Pact while the Parliament was in recess. But it is true in general that Australia would be unlikely to enter into any important treaty relation without the assent of Parliament. On the other hand, it is also true that the validity of a treaty does not depend upon the assent of the legislature. Thus the principal Locarno treaty of 1925 provides that the Dominions shall not incur the obligations thereof unless their governments themselves adhere to the treaty; Australia would be legally bound by the Commonwealth government's adherence, the will of Parliament regardless. It is a doctrine that has its own dangers. But it serves on occasion to avert undesirable publicity.

We may now turn to see how these principles have found expression in the existing treaty rights and obligations of Australia, and, for reasons already indicated, the examination must in part at least take place along historical lines. For at the inception of what is known as responsible government in the 'forties of last century, it was not supposed that the self-governing colonies would have any relations, political or commercial, with foreign powers other than those of the Mother Country herself. Those colonies have entered into separate relations, both political and commercial, with foreign countries. But the change has occurred more gradually and less completely in the sphere of political than in the sphere of commercial relations. The two spheres then should be examined separately. It naturally followed from the earlier view that commercial treaties concluded by the Imperial government automatically bound the whole Empire. In the 'forties, however, free trade made rapid progress, and free trade did not meet the needs of young communities anxious to build up secondary industries of their own. If responsible government meant anything at all, it meant leaving the colonies free to frame their own economic policy and determine their own

commercial relations with foreign powers. These ideas, however, did not find ready acceptance, and until 1876 the Imperial government continued to conclude commercial treaties in the name of the Empire as a whole. But in 1877 the Imperial government agreed for the future to negotiate commercial treaties in such a form that the self-governing colonies should not be bound unless they adhered separately within a specified time.

This did not give the colonies all that they required. Imperial commercial policy has, since the 'forties, been based consistently upon free trade, and a large number of free trade treaties before 1877 had automatically become binding upon the colonies. This did not affect adversely all the colonies, for some followed a free trade policy. It was, however, very inconvenient for protectionist colonies, as their trading relations extended. Even some of the treaties, subsequent to 1877, to which they had separately adhered, proved irksome. In the case of the treaties of 1862 with Belgium, and of 1865 with the North German Federation, the colonies were able by strong and united pressure to persuade the Imperial government to denounce the agreements (1898). But this was not generally possible. The only solution was, therefore, to secure for the colonies in all new treaties a right of separate withdrawal as well as separate adherence, and to obtain a similar privilege, as occasion offered, with respect to existing treaties. The right of separate withdrawal was first accorded in 1899, in the treaty with Uruguay, and since then has become the rule. But a number of existing treaties operated to prevent the Dominions from granting preferences to Great Britain, and the Imperial Conferences of 1902, 1907 and 1911 all resulted in successful attempts to induce treaty powers to allow the Dominions to withdraw separately. In the result, without entering into a detailed analysis of Imperial commercial treaties in the light of these considerations, it may be stated generally that Australia remains bound only by such of them as are in accordance with her own wishes. The Commonwealth early em-

barked on restrictive policies in respect of alien immigration, tariff, and navigation, and it has not been unmindful of the embarrassments caused in 1888 by the Chinese claim that the immigration laws of the colonies were in contravention of Imperial treaties. That incident seemed to leave Australia a little timid about treaty relations. Accordingly, both the States before and the Commonwealth since Federation have exercised freely the right of declining to accede to Imperial treaties, and the right of withdrawal has been exercised more freely still. There remain some sixteen treaties binding upon the Commonwealth without separate adherence, and some eight more binding by reason of separate adherence. The great majority of these are not general treaties, but relate to some specific matter, such as trade-marks, joint stock companies, wrecks, or deserters, and it is not to be inferred that the Commonwealth is desirous of terminating these agreements. From almost all the general treaties of commerce and navigation, however, the Commonwealth has withdrawn. One such treaty, indeed, the Italian treaty of 1883, still remains binding, in spite of negotiations in 1909 which endeavoured to procure the right of separate withdrawal. That treaty provides *inter alia* for the free settlement of Italian nationals in His Majesty's Dominions. But the Commonwealth government has recently eliminated all probability of friction by concluding with the Italian government a "gentleman's agreement," whereby Italy will issue passports to migrants for Australia only under agreed conditions.

Only one of these twenty-odd Imperial treaties binding on the Commonwealth dates from the 20th century—the commercial convention with Persia, 1903-20, in which the Commonwealth has no particular interest. In the years between 1903 and the outbreak of the Great War, Australia was, in fact, engaged in getting and keeping free from commercial treaty obligations. Since the conclusion of peace very much the same policy has been maintained. The long series of commercial treaties con-

cluded by the Imperial government—as with Lithuania and Spain (1922), Latvia, Finland and Rumania (1923), Germany and Austria (1924), Albania, Bulgaria and Siam (1925), and Estonia (1926)—all provide for the separate adherence of the Dominions, but Australia has not acceded to any of them. The Commonwealth has, however, maintained also the policy of making agreements upon specific matters that may call for settlement. Thus an agreement with Norway concerning lunatics (1924) was later extended to Australia, and the Foreign Secretary appended to the agreements with Estonia and Portugal (1926), for the regulation of certificates concerning the measurement of tonnage, a note declaring that the Dominions had assented to the treaty. It contains a right of separate withdrawal.

Imperial commercial treaties, therefore, do not in general impose obligations on Australia without her own active assent. But it should be noticed that even treaties to which Australia has not acceded, or from which she has withdrawn, may actually confer advantages on Australians, as His Majesty's subjects. This applies not only to earlier treaties, but to treaties concluded with a number of European countries since the Great War. A general commercial treaty will commonly contain not only provisions for the import and export of goods, but also provisions for the favourable treatment of the nationals of one country when resident or trading in the other. These will apply to all His Majesty's subjects, regardless of their residence, birth, or domicile. So far as Australia is concerned, therefore, such treaties will fall into two parts, the advantages of one of which she will secure without incurring the obligations of the other. These advantages are enumerated by Professor Berriedale Keith, citing the Imperial treaty with Germany in 1924. They include "acquisition and disposal of movable and immovable property on a most favoured nation basis as regards acquisition, and on national conditions as regards disposal and inheritance; the export under national conditions of their property;

freedom of entry and residence on most favoured nation terms; similar freedom as to exercise of professions, etc.; exemption from compulsory military service, from administrative, municipal, and judicial functions, save as regards juries; from pecuniary contribution in lieu of service, and from all military exactions other than those connected with land, or compulsory billeting."

It follows, as some slight set-off against these very serviceable advantages, that when the Imperial government surrenders some advantages formerly enjoyed by British subjects abroad, the surrender likewise applies to all His Majesty's subjects. This was the case with the Anglo-Siamese treaty of 1925, under which the remaining extra-territorial privileges of British subjects were relinquished. This would affect Australians in Siam, regardless of Australia's adherence to the treaty.

But it was not enough to allow self-governing colonies complete freedom of action with regard to Imperial commercial treaties. The colonies naturally desired to enter into agreements of their own with other powers, to further their own economic policies. The story of this development is largely a Canadian one. It culminated in 1923, when a Canadian Minister negotiated and signed a treaty with the United States of America concerning the halibut fisheries in the Pacific. But the Minister acted under powers conferred by His Majesty, and the treaty was ratified by His Majesty, formally on the advice in each case of the Imperial Minister concerned. Australia has not made use of any such process. But it is available to her.

It may, however, be added that the scope of such treaties is commonly regarded as limited by the rules laid down in 1895 by the Secretary of State for the Colonies. A Dominion, he said, ought not to receive from any foreign power any concession which would operate to the serious detriment of other parts of the Empire. On the other hand, a Dominion must extend to other parts of the Empire any concession which it grants to a foreign power. These rules are a natural

outcome of the conception of economic solidarity within the Empire. The strength of that conception is scarcely less to-day than in 1895. But it may be submitted that the end accomplished by Lord Ripon's rules is now sought rather by the procedure to be adopted and the precautions to be taken in the negotiation of treaties, than by applying Lord Ripon's tests to their subject-matter. If, after honourably adopting that procedure, a Dominion still felt it necessary to persevere in an agreement which adversely affected another Dominion's trade, it may be submitted that the Secretary of State would not now advise His Majesty to withhold ratification.

The procedure referred to was agreed upon at the Imperial Conferences of 1923 and 1926. Before initiating negotiations with a foreign power a Dominion government—and for this purpose the Imperial government is the government of a Dominion—will take steps to inform the other governments in the Empire of its intention. Other governments should express their views, if any, with reasonable promptitude. Silence will imply assent. But if the treaty is to involve some other part of the Empire in active obligations, the definite assent of that part must be obtained before negotiations are begun. Any other government may, if interested, participate in the negotiations. This procedure if loyally followed will mean that a Dominion will enter into treaty relations only with full realisation of all the interests and issues involved. When a foreign power negotiates with a Dominion, she will negotiate with the whole Empire.

The treaties so far considered have all been bilateral. But there has been in the last two generations a growing tendency to arrange matters of general international concern at international conferences and by means of multilateral conventions. The same principles have accordingly been applied to these conventions also. Thus before the Imperial government accepted the Berne Copyright Convention of 1886 for the whole Empire,

the self-governing colonies had individually decided to accept it, and a right of separate denunciation was secured to them. Provisions for separate adherence and separate withdrawal became the rule. But why should not the colonies be represented at the conferences themselves, either separately or within the British delegation? This development was suggested by the representation which had been early accorded to Canada in the negotiation of bilateral treaties, and dates from the early 'eighties. It took its modern form at the International Radio-Telegraphic Conference in 1912. Australia's representatives were accorded full powers by the Crown, on the advice of the Imperial Secretary of State for Foreign Affairs; Commonwealth representatives were thus on the same footing as the Imperial, except that their powers were issued by His Majesty "on behalf of the Commonwealth of Australia."

It is unnecessary to set out details of the international conventions to which the Commonwealth was an original signatory, or to which it has acceded. They are for the most part framed either to facilitate international communication or to deal with conditions for the amelioration of which international action is necessary. Thus they include the postal and telegraphic and aerial navigation conventions, conventions setting up international institutes for scientific or humanitarian objects (as an agricultural institute, an office of public health), and conventions for the suppression of the white slave traffic, the opium evil, and obscene publications. Since the Great War the Commonwealth has acceded to the Berne Convention of 1906, prohibiting the use of white phosphorus in the manufacture of matches, and to conventions respecting the simplification of customs formalities, industrial property, animals with infectious diseases, and the international regime of ports. Many of these conventions require legislation to carry them into effect, but relate to matters in respect of which the Commonwealth has no power to legislate. This raises a constitutional problem, which will be discussed below.

From these commercial, or at any rate non-political, agreements we pass to Australia's rights and obligations under political treaties. Here, as has been suggested, the Dominions have played a much less independent rôle, and until after the Imperial Conference of 1911 were not effectively consulted even on matters affecting their own interests. Since Australia's protest at that Conference, however, consultation has been regular. At the outbreak of war in 1914 Australia was bound by a number of treaties (including arbitration treaties, extradition treaties and treaties of alliance), as to some of which she had been consulted. No enumeration of these will be attempted. Some, indeed, do survive, mainly by way of renewal. But they have been overshadowed by the treaties that embody the world settlement after the Great War. It may, however, be noted, as an early recognition of the separate interests of a Dominion that in the Anglo-American arbitration treaty of 1908 (renewed most recently in 1924) the Imperial government reserved the right, in the case of any question affecting the interests of a Dominion, to obtain its concurrence in the special agreement required in terms of the treaty for a reference to arbitration.

The efforts made by the Dominions during the War were comparable with those of some of the smaller belligerent powers, and even before the end of the War it became clear that thenceforward they would take a more active and independent part in the foreign relations of the Empire, political as well as commercial. No Dominion has, indeed, entered into a political treaty imposing obligations on herself alone. But the Dominions have been accorded the same degree of independence with regard to recent bilateral political treaties negotiated by the Imperial government as they have been accustomed to exercise with regard to commercial treaties. A number of arbitration treaties—as with the United States, Brazil, Chile, Peru and Uruguay, France, Italy, Spain and Portugal, Norway, Sweden, Denmark and the Netherlands—were, indeed, either made or renewed in

the customary way during or at the close of the War, the Commonwealth with the other Dominions being consulted in each case. The extradition treaties with Austria and Germany were revived, and the liquor traffic convention of 1924 with the United States was concluded, likewise after consultation with the Dominions. But recent extradition treaties, like the commercial treaties, have granted separate rights of adherence and denunciation to the Dominions. By virtue of this provision Australia acceded to extradition treaties with Finland in 1925 and Latvia in 1926. Similar treaties with Czecho-Slovakia and Estonia were extended to Australia in 1927.

But so far as the British Empire is concerned, it has since the War been even more true of political than of commercial treaties that the centre of interest is shifting from bilateral to multilateral agreements, and with them also the Dominions as such have been closely associated. From the nature of the subject matters it might be expected that their action would not be as independent as it has been in respect of non-political conventions. It is a matter of relative indifference to other parts of the Empire whether or not Australia adheres to the convention concerning diseased animals. But it is a matter of considerable Imperial concern whether or not she adheres to the Rhineland pact in the treaty of Locarno. On such matters the Empire might be expected to act as one. The expectation, however, is not altogether realised, for the Dominions, Canada perhaps in particular, have shown a distinct tendency to form independent conclusions as to the commitments which would be advisable for them.

The procedure as to representation at international conferences has varied widely. Upon the Council of Ten at the Peace Conference in 1919, and at Washington in 1921, the Dominions had separate representation within the British Empire delegation. In each case the Dominion representatives signed the treaties for the King in respect of the Dominion. It may be noted that

in the plenary sessions of the Peace Conference the procedure was the same as that at the Radio-telegraphic Conference of 1912. There was no distinct Empire delegation, the Dominion representatives speaking and voting on the same footing as other members of the conference. This method was recognised by the Imperial Conference of 1926 as the appropriate mode of representation at non-political or technical conferences, and even possibly at some political conferences. But it would, of course, be available only by consent of the convening government and other member governments. The single Empire delegation seems to have been the method most favoured by the Imperial Conference. In 1928 the Kellogg Pact was negotiated by correspondence, but it seems to have been an Empire delegation, on the Peace Conference model, which actually signed the Pact.

But an "Empire delegation" has not been uniformly employed. The definitive treaty of peace with Turkey at Lausanne in 1923 was negotiated and signed by British plenipotentiaries alone, and so was the treaty of Locarno. But it was recognised by the Imperial Conference of 1926 that if this method is to be used in future the representatives should be the common plenipotentiaries of all the Empire governments participating, and all should participate in the issue of full powers to them. The choice of method must depend a great deal on the subject matters, the degree of urgency, and the wishes of other governments.

Australia's obligations under the general international treaties so negotiated must now be considered. In the first place, it may be stated categorically that Australia is bound by the Peace treaties as a whole. Secondly, she is bound by the Washington treaties of 1922. Her solitary capital ship, the *Australia*, has been "scrapped" under the terms of the agreement for the limitation of armaments, but as against this Australia is benefited by the agreement not to build any new fortifications or naval bases in the islands set

out in the treaty, including the principal islands south of Japan. Australia also reaps the benefit of the Four-Power Pact, which substituted for the Anglo-Japanese alliance an agreement between the United States, the Empire, France and Japan to respect each other's insular possessions in the Pacific (including Papua and the Mandated Territory of New Guinea), to refer differences in respect thereof to a joint conference, and to confer together in the event of aggression by other powers. Thirdly, Australia is bound by the Kellogg Pact of 1928, renouncing war as an instrument of national policy. The treaty is not significant as a specifically Australian commitment. But Australia's signature may perhaps serve to strengthen the Empire's pledge not to use international force except as force is used municipally—in self-defence and in repressing the disturber of the peace—and to settle all disputes by pacific means.

A word may be added as to the treaty of Lausanne. The precedent set in the earlier Peace treaties was not followed, and no Dominion representatives took part in the negotiations. The Dominions were consulted before ratification merely—a return to the old order. The British ratification was deposited for the whole Empire, and Australia is bound by the treaty just as by the other Peace treaties. Canada's view was that without her definite assent she could not constitutionally be bound to any active obligations under the treaty (*e.g.*, to preserve its stipulations by military action). Accordingly she refused to advise ratification. Her contention gained recognition in the Locarno negotiations, at which the Dominions were not represented: the treaty was declared not to impose any obligations on a Dominion unless it adhered separately. Finally, the Canadian contention was adopted, as already indicated, by the Imperial Conference of 1926: a treaty shall not impose active obligations on any part of the Empire without the definite assent of that part.

It has been said that, in order to avoid the strict

consequences of the doctrine that all British treaties must be concluded with the King, both Dominion and foreign governments have been willing to forego the solemnity of a treaty, and to make agreements directly between themselves without the intervention at any point of the head of the state. This practice was expressly recognised by the Imperial Conferences of 1923 and 1926, and the rules then laid down to secure communication and co-operation with other parts of the Empire apply to such agreements, just as they do to treaties. Australian examples of such agreements are the trade "treaties" with Canada, South Africa, and New Zealand, and the two series of migration agreements. One series, beginning in 1904, provided that the dictation test under the Immigration Acts would not be administered to merchants, tourists, students and ministers of religion, natives of the signatory countries, provided that they held passports in proper form. Such persons might remain in Australia for a period of one year, renewable on application, so long as the authorities should be satisfied of their *bona fides*. These agreements were concluded in the first instance with Japan, India, and China. Similar agreements have been made with Hong Kong, Annam, Siam, Straits Settlements, Burma, Ceylon, Egypt, the Philippines and the Hawaiian Islands. The second series of agreements was made in 1924-5 with Southern European governments, for the restriction of immigration. The governments of Greece, Albania, Czecho-Slovakia, Yugoslavia, and Malta agreed not to issue passports to their nationals except within an agreed monthly number. The agreement with Italy has already been referred to.

On turning to treaty rights and obligations flowing from Australia's status as a member of the League of Nations, one is at once in a different order of thought. It cannot, indeed, be said that the League does not recognise the British Empire as such. The curious form of the list of original members annexed to the Covenant is itself significant. The Dominions are

enumerated separately, but they are set in a little from the left side of the page, appearing under "British Empire," as it were like sub-headings; some distinction is apparent between them and the other members of the League. Nevertheless the whole emphasis within the League is upon the separateness rather than upon the unity of the self-governing communities of the Empire. They do not sit together nor vote as one in the Assembly. Canada has been elected to the Council. Their delegations to the League meetings are accredited by their own governments. They communicate directly with the League. They adhered separately to the Protocol and Statute of the Permanent Court of International Justice. They have had mandates conferred upon them. They are separate members of the International Labour Organisation, and as such enter into international treaties without the intervention of the Imperial government. They are, in fact, for such League purposes as these, indistinguishable from other states which are members of the League.

It would, however, be easy to exaggerate the separateness of the Dominions within the League. In the first place, there has been enough consultation between Empire delegations to excite some criticism from other members, and the differences of opinion that have been manifested from time to time serve only to throw into relief the unity of the Empire on central issues. A striking illustration of this is the agreement of the Imperial Conference in 1926 not to adhere to the "optional clause" of the Statute of the World Court, and not to take any steps in the direction of adherence without further consultation.

In the second place, the very existence of the British Empire as a fact both of constitutional and international law affects the inter-Imperial application both of the Covenant and of agreements negotiated under League auspices. The view of the Imperial government (challenged, however, by the Irish Free State) is that neither "are intended to govern the relations *inter se*

of various parts of the British Commonwealth." The legal committee of the Arms Traffic Conference of 1925 agreed. It would follow that neither the guarantee under Article X. of the Covenant nor the sanctions under Article XVI. are to be regarded as binding within the Empire. That the acceptance of these obligations within the Empire is not a necessary part of League membership seems to be demonstrated by the membership of India, for whom such a position is as yet unthinkable. As to the Covenant, and conventions concluded before 1926, the British view will probably stand. For the future, the Imperial Conference found a solution in 1926. All treaties proper are to be made in the name of the head of the state, so as to avoid the contention that they are binding as between different parts of the Empire. If such parts are prepared to apply conventions *inter se*, the conventions should be drawn, not as treaties proper but as governmental accords. This ought for the future to render impossible the recurrence of such disputes as that concerning the registration with the League of the British agreement with the leaders of the Sinn Fein party in Ireland in 1921, under which the Irish Free State was established.

As a mandatory, however, Australia has incurred obligations for the performance of which the Council of the League will presumably look to the Commonwealth alone. Over the former German possessions in the South Pacific, other than German Samoa and Nauru, a mandate of the "C" class was issued to His Majesty, to be exercised on his behalf by the Commonwealth. The obligations are both positive and negative. On the negative side there are safeguards against the exploitation of the natives. These include prohibition of slavery and of forced labour (except for essential public services, and then for adequate remuneration); of traffic in arms, except as regulated by the Arms Convention of 1919; of the supply of intoxicants to the natives; of the military training of the natives, other-

wise than for purposes of police and local defence; of the establishment of military or naval bases and of the fortification of the territory; of interference with freedom of conscience and the entry or residence of missionaries, nationals of any member of the League. On the positive side the Commonwealth is enjoined to promote to the utmost the material and moral well-being and the social progress of the inhabitants of the territory. In order that its performance of these obligations may be scrutinised, the Commonwealth is further bound to make a report annually to the Council of the League.

As against these obligations, and subject to them, the Commonwealth has full powers of administration and legislation over the territory, as an integral part of the Commonwealth. It is not bound, as "B" class mandatories are, to provide equal opportunities for the trade and commerce of all other members of the League, and has, in fact, not done so. It has applied the immigration policy of the Commonwealth to the territory, and has been clearly within its treaty rights in doing so. It is precisely because the "C" class mandates permit such exclusive policies that the United States and Japan were unwilling to recognise them. Japan did accord recognition in 1920, without prejudice to subsequent claims. The United States still withholds its assent to the New Guinea mandate.

The Commonwealth has also a share in the rights and obligations of the mandate over the phosphate-yielding island of Nauru. The mandate was granted to His Majesty *simpliciter*, but the British, Australian and New Zealand governments agreed that Australia should appoint the first Administrator, while the phosphate deposits should be controlled by a Commission of three (representing the three governments respectively). The extent to which the Commonwealth assumes responsibility for the performance of the mandate is obscure. It may be noted that only the High Commissioner for Australia seems to attend

the Permanent Mandates Commission when the report is discussed. The Commonwealth's share in the phosphates is safeguarded by the agreement referred to. Only after the agricultural requirements of the three countries have been met are the Commissioners at liberty to sell phosphates elsewhere.

The Commonwealth is also an original member of the International Labour Organisation, whose object is to preserve peace by the improvement of working conditions, especially in backward countries. Its central feature is an annual Conference, each delegation to which comprises four persons appointed by the member governments. Two represent the governments themselves, one the employers' organisations and one the workers' organisations. They vote individually. This association of official and unofficial representatives is an innovation in diplomacy. By an even more remarkable innovation, the Conference may adopt a draft convention by a two-thirds majority. The members of the organisation are pledged to submit a draft convention within a reasonable time to the body which has power to ratify it. If that body declines to ratify, the member is under no further obligation in respect of that convention. But if it decides to ratify, the member is bound to implement the convention by the necessary legislative and administrative action. In the Commonwealth ratification takes place by Order-in-Council. But the Commonwealth holds that legislative provision should precede ratification, and will not ratify until such provision has been secured.

The diversity of economic conditions to be prescribed for, however, is so great that to proceed in all cases by way of draft convention would lead, either to a very great reluctance to ratify, or else to conventions whose requirements were lowered to the standard of the least advanced countries. Fortunately it is possible for the Conference to proceed, in the alternative, by way of "recommendation." A recommendation needs the same majority as a convention, but the only obligation of

members in regard to it is to bring it before the competent body for legislative or other action, and to notify the League of action taken or not taken.

The acceptance of draft conventions raises difficulties for federal states, members of the Organisation. In many cases the necessary legislative or administrative action, under a convention, would be within the competence, not of the federation but of the constituent states. It was, therefore, provided that a federal state might at its discretion treat a draft convention, in respect of which its powers were limited, as a recommendation merely. If it exercises that discretion it will forward the draft convention to the state governments and report to the League what action they think proper to take. The procedure was devised in Paris in 1919 to meet American needs. In Australia's case the problem, as has been seen, is not confined to draft conventions of the International Labour Organisation, and in other cases this procedure has not been available. It is, therefore, convenient to consider the effect of Australia's position as a federal state upon her treaty rights and obligations in general, before examining her position with regard to the conventions of the International Labour Office.

Two factors are to be borne in mind: that the Commonwealth dates only from 1900, and that its powers are limited. On the one hand, the six colonies had come into treaty relations with other countries before 1900, but to a different extent and independently of each other. On the other hand, although the subjects with respect to which Parliament may make laws include overseas and interstate commerce, navigation and shipping, postal and other like services, trade-marks, copyrights and patents, defence, and "external affairs," and the executive power of the Commonwealth may be said to be co-extensive with its legislative power, there is no provision in the Commonwealth constitution, as there is in the Canadian, giving to the federation powers to implement the obligations, not only of

the federation but also of any one of the constituent states. The power to make laws with respect to external affairs may be very widely interpreted, but in the absence of judicial decisions its extent remains obscure. As a result of these two factors, three classes of treaty must be considered—pre-federation treaties still subsisting, post-federation treaties within the competence of the Commonwealth, and post-federation treaties within the competence of the states.

With regard to pre-federation treaties, it is now well settled that the Commonwealth is the proper channel of communication in all cases. But the extent to which it is bound will vary. If the treaty was binding on all the colonies, by separate adherence or otherwise, the Commonwealth will be bound in respect of all the states. This is the case with the Anglo-French convention concerning wrecks (1889). If only some of the states had adhered to the treaty, the Commonwealth would be bound only in respect of those states, as with the Anglo-Italian treaty of 1883, already referred to, to which all the colonies had adhered except South Australia. It is believed that the Commonwealth has either withdrawn from, or itself acceded to, all other treaties to which only some of the colonies had adhered.

Post-federation treaties within the competence of the Commonwealth present no difficulties. But in the case of post-federation treaties within the competence of the states, the Commonwealth has several times been in the dilemma either of postponing its adherence until the concurrence of all the states could be obtained, or of notifying an adherence in respect of some states only. In some cases this latter would lead to endless confusion (as in the Air Convention of 1919), and in all cases it is perhaps desirable that the Commonwealth should act as a unit in external relations. Thus the Commonwealth's non-adherence to the Berne convention of 1906 for prohibiting night work

for women in industrial employment seems to have been due to reluctance on the part of some of the states.

In effect, therefore, the machinery of the International Labour Organisation regularises the kind of action that had already been taken in Australia. In respect of labour conventions dealing with matters within its competence—*i.e.*, in effect, dealing with the shipping industry—the obligations of the Commonwealth do not differ from those of any unitary state. The Commonwealth, however, has not been very diligent in the performance of them. It would probably make no appreciable difference to Australian industry if the eight draft conventions which fall at least in part within its competence were put into immediate operation. But only one, which was already covered by legislation, has so far been ratified. This is the convention of 1920 for the establishment of facilities for finding employment for seamen.² There is no evidence that any decision has been taken as to the ratification of the other seven, which date from 1920, 1921, and 1926. It is, however, only fair to recall the view taken by the Commonwealth, that legislative provision should *precede* ratification.

As to conventions not within its competence, the Commonwealth has been in the habit of exercising its treaty right to treat them as recommendations, and has forwarded them to the States, along with other recommendations adopted by the conferences. Of the thirty recommendations, only eight seem to fall within federal competence. Four are either inapplicable or unnecessary; one, dating from 1922, concerning communication to the I.L.O. of migration statistics, is being complied with; no information as to the other three is available. Praise has, however, been bestowed on the Commonwealth for the full information it has

2. In returns published by the I.L.O. it has been stated that the Commonwealth has passed legislation—or that such legislation exists—which complies with another of the 1920 conventions, concerning unemployment indemnity in case of the loss or foundering of a ship. It is believed that this statement is mistaken.

accorded the League as to action taken by the States in reference to recommendations forwarded to them. This lesser duty at any rate has been satisfactorily performed. It is a pleasant point on which to conclude a survey of Australia's treaty rights and obligations.

CHAPTER IX.

AUSTRALIAN DEFENCE POLICY.

G. R. CAMPBELL.

The corner-stone of Australian defence policy is the unity of the British Empire. None of the Dominions can by its own unaided strength ensure its safety in a war against first-class powers, however gallant a defence it might make for a time. But there is no need for despair in this respect, provided that, in spite of recent declarations as to the constitutional nationhood of the self-governing Dominions, the unity of the Empire proves a reality in the future as in the past. It is, therefore, of the utmost moment that there should be no doubt amongst the Nations of the British Empire that every one of them can rely upon the full support of the others when needed in the event of a general and serious war affecting the Empire. But this will not happen if politicians in the Empire are found contending, as has been the case in the past, for a right of neutrality by one or more of its parts in the event of war in which the Homeland and other parts are involved. Nor does the conclusion of treaties binding Great Britain, but not adhered to by other parts of the Empire, make for that unified strength upon which so much depends. Should unity weaken in the Empire, the weaker parts will feel its loss most. This consideration makes it imperative that Australia, as well as the other Dominions, should take up its full share of the burden of defence. For in that case it can justly call upon the Homeland, and other parts of the Empire, for that unified support which is so vital to it in a time of stress.

Treaties of Peace.

The great need of the world at the present time is peace amongst its many and various nations, and all wise schemes which have that object in view deserve

the earnest support of all civilised peoples. Of these schemes the most important for Australia are:—

- (1) *League of Nations*;
- (2) *Washington Four-Power Pacific Treaty* (ratified in 1923), dealing with disputes arising in connection with certain Insular Possessions in the Pacific of the British Empire, United States, France, and Japan;
- (3) *The 1928 Treaty*, outlawing war as an *instrument of national policy*, initiated by the American Secretary of State, Hon. Frank Kellogg, and already signed by representatives of Britain, its five Dominions and India, United States, France, Germany, Belgium, Japan, Italy, Poland, Czecho-Slovakia.¹

But these treaties are not yet effective enough to prevent wars arising in certain circumstances and to justify Australia, or any nation with Pacific interests, in neglecting to make reasonable defensive preparations during days of peace. For example, the Washington Four-Power Pacific Treaty only deals with a portion of the disputes which may arise in connection with certain (but not all) of the insular possessions in the Pacific of the powers concerned, for questions within the domestic jurisdiction of the several powers, *e.g.*, immigration, are excluded from its scope. Moreover, this Treaty does not rule out war eventually, does not constitute any alliance or imply any commitment by the signatories as a whole to the use of armed forces in support of recommendations, but merely provides, in cases where it is applicable, for a round table conference of all the signatories to the Treaty, at which disputes can be fully considered and discussed before any resort is made to hostilities. In short, it provides a breathing space for reflection and discussion.

1. This treaty requires ratification by the Governments of the representatives who signed it on August 27, 1928, and by the Senate of the United States.

Then the Kellogg Outlawry of War Treaty does not rule out wars of national self-defence, is not signed by all Powers, and it remains to be seen how far its terms will always be honoured in the future by governments which succeed those governments whose representatives signed it on August 27, 1928. Even its author, Hon. Frank Kellogg, U.S.A., in March, 1928, in a speech to the Council on Foreign Affairs, New York, set limits to the effectiveness of the Pact in these words:—

“I must not claim that treaties of arbitration and of conciliation or even treaties explicitly renouncing war as an instrument of national policy, afford a certain guaranty against those conflicts between nations which have periodically broken out since the dawn of history. In addition to treaties, there must be an aroused public conscience against the utter horror and frightfulness of war. The peoples of the world must enjoy a peaceful mind, as it has been said, and treaties such as those I have discussed this evening, and the efforts of statesmen to advance the cause of world peace, can only be regarded as a portion of the problem. I am not so blind as to believe that the Millennium has arrived.”

As to the position and power of the League of Nations, which does not include such great Powers as the United States and Russia, the time has clearly not yet arrived, if it ever will, when it can be entirely relied upon to prevent all wars breaking out between nations, however valuable its influence may have already proved in securing peaceful settlements of some dangerous international disputes.

In these circumstances Australia cannot afford to neglect its preparations for national defence—whether in respect of naval, military, air or chemical warfare. As regards chemical warfare, an attempt was made at the Washington Conference (1921-2) to abolish its use—one of the treaties there agreed to by the representatives of Britain, United States, France and Japan, providing for its abolition. But the Government of France has not

yet ratified it, though the other governments have, and so the Treaty remains inoperative. In 1925 a League of Nations Protocol outlawing the use of chemical and bacterial warfare was submitted to the nations for signature, and so far it has been signed by the representatives of a number of Powers, including the Russian Union of Soviet Republics, but not by Germany (up to 1/6/28). So far, only Austria, France, Italy, Liberia, Russia, and Venezuela have ratified the Protocol, and it is not clear whether France's ratification is a complete one or a "definitive accession." One of the reasons advanced for delay in ratification, on the part of some Powers, is that the Protocol goes too far, and would prevent the use of a gas, such as tear gas, which temporarily incapacitates, but is not permanently harmful. So to that extent there is restriction of the use of chemical warfare in wars between such nations. But the breach by Germany during the Great War of its previous undertaking not to use asphyxiating gases shows how dangerous it is for nations to disregard altogether the possibility of the use of chemical warfare under certain conditions in the future.

Australia and the Pacific.

A considerable consensus of current expert opinion now regards the Pacific as the storm centre of the world, and there is much to be said for such a point of view. For, facing the northern Pacific and its adjunct, the eastern half of the Indian Ocean, there are countries of much diversity in civilisation, infected to some extent by ruthless Communist propaganda, comprising about half the population of the world, and in places very densely settled. These highly populous countries of varying civilisations are restless, and are reaching out for a more important position in the world than they have been contented with hitherto. Such conditions may give rise to world clashes of great seriousness. Recently a Nationalist Chinese Leader, General Chiang-Kai-Shek,

announced that China proposed during the next ten years to build a navy of 600,000 tons! Well within the orbit of these diverse nations, but on the southern fringes of these oceans, lie the sea-girt British Dominions of Australia and New Zealand, with their comparatively small populations of about 6,300,000 and 1,400,000 respectively, and isolated by thousands of miles of sea from the centre of the Empire's strength, Great Britain. Fortunately, to some extent there are sea routes between these Dominions and Britain which are not easily accessible to other Pacific countries in time of war. This makes it more difficult for hostile interference with shipping transport on them to be wholly successful, provided the use of Australian or New Zealand territory can be wholly denied to the enemy. Then there are other outstanding facts which should be borne in mind.

1. Although this chapter is concerned with the question of Australian defence policy, very similar problems have to be solved in connection with New Zealand's defence, and, owing to the proximity of the two Dominions, their respective defence policies must affect one another and are more or less interdependent, for hostile occupation of the territory of either would increase the difficulties of the other.

2. Australian territory comprises (a) a very large main island (Australia), upon which the population (largely self-supporting as far as essential food and clothing are concerned) is almost entirely settled—mainly within 40 miles of the coast line and estuaries; (b) the island of Tasmania (with a population of 200,000), the importance of which to the defence of Australia was once pointed out by a visiting Japanese Admiral; (c) many small islands, with little or no population, for the most part lying close to the coasts of Australia; and (d) the oversea territories of Papua and the former possessions of Germany in New Guinea, New Britain and New Ireland, etc., in the Pacific, south of

the Equator, now held by Australia under mandate from the League of Nations.

3. Australia lies in the South Pacific, very far away from Great Britain and the other Dominions of the British Empire, except New Zealand, which, however, is 1200 miles distant. Foreign countries, with the exception of the Dutch and Portuguese possessions to the north of Australia, and the small French and U.S.A. possessions in the South Pacific, lie also at considerable distances from the main Australian territory, although the former German islands, north of the Equator, now held by Japan under mandate from the League of Nations, are comparatively close to part of the Australian Mandated Territory. And it is worth noting here that the exact position of Mandated Territory, in the event of a war in which the Mandatory Power is engaged, is in need of better definition than has so far been given to it.

4. Australia has so far been developed mainly as a producer of important raw materials, such as wool (its main staple), wheat, live stock (sheep, cattle, horses, etc.), butter, minerals and metals (precious and otherwise), the markets for which lie mainly overseas in Europe and the other continents, and not in Australia to any great extent; although its local market is absorbing more and more as population increases and the industrialisation of the country, fostered by a protective tariff, proceeds.

5. Australia can only export its products, or import the merchandise which it requires and does not produce, by means of overseas shipping—to a slight extent its own, but mainly owned in Great Britain, and partly by foreign countries. Air transport has not yet become practicable. Whilst Great Britain owns the largest amount of merchant shipping tonnage in the world, the United States and Japan, both Pacific Powers, rank second and third.

6. If in war time overseas transport from and to Australia were stopped, and in consequence the export of its raw materials and the import of essential merchandise were prevented, the business of the country would be largely paralysed. For the local excess raw materials could not be used to any great extent profitably within the country, Australia would be unable to meet its oversea commitments, and disaster and unemployment would ensue, even though hostile attempts at invasion on a large or small scale were frustrated and the people were in no danger of starvation.

7. In the Pacific, at the present time, are found many foreign battleships and battle-cruisers—American and Japanese; but not a single British battleship or battle-cruiser is stationed in Pacific or Indian waters.

These facts and considerations clearly show that the primary requirement in Australian defence policy is naval power—warships, trained crews, well protected naval bases, etc., etc.—and that of a long range type, not tied to the immediate coasts of Australia but capable of helping the British Navy and other Empire naval forces in the protection of its shipping trade, and in other ways far away from its shores. The Air Force cannot discharge this duty in its present stage of development, whatever it may be able to do in years to come. It can now work as an adjunct to the Navy, in which capacity it is exceedingly valuable.

Naval Defence.

For about a century in the history of Australia its naval defence was entirely supplied by the Royal Navy of Great Britain. Afterwards, as Australia developed in population and wealth, it gradually realised its obligation to contribute to its own naval defence and to relieve, to some extent, the Homeland of its burden, in some instances by money contributions to the British Government, in others by recruiting naval personnel to be trained in ships of the local Royal Navy Squadron,

and, in others, by providing small coastal naval defence vessels and crews, and coastal defences, etc. At length in 1910, under Federation, an agreement was made between the British and Australian Governments, by which Australia undertook to provide and maintain a Fleet Unit (for an Imperial Pacific Squadron), consisting of a battle-cruiser (H.M.A.S. *Australia*) and certain light cruisers, T.B. destroyers, and two submarines, and to man them, as far as possible, with an Australian personnel, the gaps, chiefly in higher ranks and ratings, being filled by officers and men lent from the Royal Navy.

This Australian Fleet unit was substantially complete at the outbreak of the Great War in August, 1914, and performed notable service in guarding Australia from attack by the strong German Pacific Squadron in the early days of the war—thus fully justifying its creation. Afterwards, during the war, it gave effective naval service through its individual units in practically every ocean of the world.

After the war a change took place. As one of the parties to the Washington Naval Disarmament Treaty of 1921 (ratified in 1923), Australia agreed to the naval disarmament imposed upon the British Empire under the Treaty and to scrap her battle-cruiser *Australia*. This was accordingly carried into effect, and Australia was left without a "capital" ship or the possibility of building another for years, and then only with consent of the British Government. But this general disarmament was agreed to upon an understanding between the British and Dominion Governments (see the *Times*, March 4, 1924) that the former would create at Singapore, as recommended by Admiral of the Fleet, Lord Jellicoe, and other naval experts, a powerful naval base to serve the needs of the British Battle Fleet, which might be required to operate in Far Eastern waters for the protection of Australia and all other British interests in the Pacific and Indian Oceans. The existing, but insufficient, naval base at

Singapore is now in course of enlargement by the British Government, so as to bring it up to the necessary standard—a contract recently accepted involves an expenditure of £7,750,000, spread over seven years; a very large floating dock, capable of docking the largest battleships and battle-cruisers, has already been provided. Owing to some hesitation by the British Government in 1924, when Mr. Ramsay MacDonald's Labour Government was in power, about going on with the enlargement of this naval base, the Australian Government decided in 1925 to strengthen the Royal Australian Navy, which was partly becoming obsolete, by ordering two new large light cruisers of 10,000 tons each, with 8 in. calibre guns—the largest ships allowed it by the Washington Naval Disarmament Treaty—which were named H.M.A.S. *Australia* and *Canberra*, as well as two ocean-going submarines—H.M.A.S. *Otway* and *Oxley*. In Australia, a seaplane carrier—H.M.A.S. *Albatross*—was built, and also provision was made by a subsidy for the building by the N.S.W. Government of a floating dock which would be capable of docking the new cruisers. These new cruisers, submarines, &c., which have just been completed, will greatly strengthen the Royal Australian Navy for purposes of commerce protection, and will prove valuable adjuncts to any British Battle Fleet which may operate in the future in the Pacific or Indian oceans.

Some expert opinion favours the provision of another naval base, comparable to that at Singapore, on the East Coast of Australia; and as Singapore is, by sea route, distant about 4300 miles from Sydney, it is not unlikely that the suggestion will be considered more fully before many years pass.

As regards the *personnel* of the Royal Australian Navy, the policy of the Government is to recruit its sea-going section—the principal portion—by voluntary enlistment for continuous permanent service, and to train it in Australia as far as possible. Candidates for commissions are trained at the Royal Naval College, Jervis

Bay, and other entries elsewhere, deficiencies in higher ranks and ratings being made good by *personnel* lent by the British Royal Navy. To improve the training, arrangements are made for interchange of ships with those of the Royal Navy, and also for young officers and ratings to attend instructional courses in the Royal naval schools in Britain. *Naval Reserves* are mainly raised on a militia basis (intermittent training) under the compulsory naval training provisions of the Defence Acts.

During the Great War the construction of small, light cruisers and smaller vessels was carried out at the Commonwealth Dockyard, Sydney, where good work was done, if slow and costly. There the new seaplane carrier has been built. But the stage has not been reached when Sydney Dockyard can be considered sufficient for all the naval building requirements of Australia, any more than its munition needs can be fully supplied locally, though the accepted policy is to provide for their supply here as far as is reasonably practicable, especially in war time.

In peace time the control and administration of the Royal Australian Navy are entirely in the hands of the Australian Federal Government, acting through a Minister of Defence and a Naval Board under him; but provision is made for the Government, in war time, transferring its naval ships and crews to the control and direction of the British Admiralty for the purposes of the war—as was done at an early stage of the Great War.

The cost of the new cruisers, submarines and seaplane carrier, fully equipped, reached a very large sum, and this liability has militated so far against the Australian Government making a direct contribution to the cost of the new Singapore naval and air base, which it regards as of vital importance to the defence of Australia.

The Air Force co-operating in the operations of the Royal Australian Navy, will be supplied by the Royal Australian Air Force as required from time to time.

Military Defence.

Whilst naval power is the primary requirement of Australian defence policy it is not capable, under the existing circumstances of Australia and the British Empire, of safeguarding the country completely at all times and under all conditions. And so military forces, as well as air forces, are needed to supplement and strengthen it. The reason for this, and the strategic position of Australia in time of war, were admirably set forth by Field-Marshal Viscount Kitchener of Khartoum in his *Memorandum on the Defence of Australia*, furnished by him in February, 1910, to the Australian Government, in which he says:—

“It is an axiom held by the British Government that the Empire’s existence depends primarily upon the maintenance of adequate and efficient Naval Forces. As long as this condition is fulfilled, and as long as British superiority at sea is assured, then it is an accepted principle that no British Dominion can be successfully and permanently conquered by an organised invasion from overseas.

“2. But, in applying this principle to Australia, considerations of time and space cannot be disregarded. The conduct of a great war depends upon the calculated and proper combination of Naval, Military and Diplomatic Forces, and it is quite conceivable that, in the future, as in the past, national considerations may require the concentration of British Naval Forces in one or other theatre of operations. It follows that, in seas remote from such a concentration, the British Naval Forces may find themselves for the moment inferior in force to an actual or potential enemy. In such a situation, although our ultimate superiority at sea might not be a matter of doubt, some time might elapse before our command of the sea was definitely assured in all waters. It therefore becomes the duty of all self-governing dominions to provide a military force adequate, not only to deal promptly with any attempt at invasion, but also

to ensure local safety and public confidence until our superiority at sea has been decisively and comprehensively asserted. For this reason it has been agreed that the Home Forces of the United Kingdom should be so organised as to compel an enemy contemplating an invasion to make the attempt on such a scale as to be unable to evade our Naval Forces. The same arguments apply to Australia, and its Land Forces should be calculated and organised on this basis."

These words of Lord Kitchener's are as generally applicable to-day as they were in 1910, as regards the need for military forces in Australia—in some respects more so, for the naval power of Britain is relatively much weaker now, compared with that of foreign Pacific naval Powers, than it was in that year. On the other hand, the great development of air power since 1910 has strengthened the position of military forces in the land defence of Australia, though to what extent it is difficult to say in the conditions of this country when one considers the practicable strength of air forces which can be trained and maintained here.

The military defence policy of Australia has followed very much the same line of development as its naval policy. At first Australia depended entirely for its military protection upon regiments of the British Regular Army, which were stationed in its young and small colonies until 1870. With increasing population and danger of interference by foreign Powers, the colonists took steps—as far back as the fifties of last century—to raise military forces for local defence purposes on a militia, or volunteer, training basis, backed up by a small nucleus of permanent troops for staff and instructional requirements. In 1885 N.S.W. went a step further and raised troops for oversea service to assist the Homeland in its Soudan War in the Suakim area of operations. In 1899 troops were again raised in N.S.W., as well as in the other Australian colonies, for service with the British Army in the Boer War of 1899-1902. And, in the following year, an Australian

Naval Force served with the British military forces in China during the Boxer Rebellion in that country. It is well known what a great part the Australian military forces played in the Great War in their oversea service alongside the troops of the Homeland and of all the other parts of the Empire, whether in Europe, Egypt, Palestine or elsewhere.

All these troops, raised for oversea service, were recruited by voluntary enlistment, and so at first, and for many years later, were those raised for local defence purposes. But in the early years of this century, after Australian Federation had been achieved, the inadequacy and ineffectiveness of voluntary enlistment—even with high rates of pay—for raising and training the large numbers of home defence troops required in Australia, were at length recognised, and so, by the defence acts of 1909 and 1910, the system of compulsory military training² instead of voluntary enlistment, was instituted as the basis of raising and training both the cadets and the militia citizen forces required for the home defence of the country. This system is based on that of the well-known Swiss militia army, but has not, so far, been carried into effect in Australia to the same extent.

It was in connection with the institution of universal or compulsory military training in Australia that Lord Kitchener wrote his *Memorandum on the Defence of Australia* from which a quotation has been already made. In this Memorandum he advised the Australian Government in February, 1910, when the population was about 4,275,000, that he approved of the principle of the new system of compulsory military training provided for in the 1909 Defence Act, but recommended that it be applied, not only to the cadets and to the two youngest yearly quotas of adult troops (ages 18-19 and 19-20), but also to five further yearly adult quotas (ages 20-21

2. At the present time *Compulsory Military Training* is confined to the populous centres of Australia, "*Voluntary Enlistment*" being resorted to for the most part for the recruitment of the personnel of the Light Horse Regiments in Country districts.

to 24-25), and to a further quota (age 25-26) in reserve (without training). He then estimated the strength of military forces ultimately required for the land defence of Australia as being nearly 120,000 militia citizen troops, of all ranks, at various stages of training, besides a small nucleus of permanent continuous service troops required for staff and instructional duties. At the present time only three quotas (ages 18/19-20/21) of citizen militia troops, in the populous centres of Australia, are subject to compulsory military training of a reduced amount, *viz.*: 12 days yearly, of which eight days are in continuous camp; and the total strength of the citizen troops in training (including between 3000 and 4000 "voluntarily enlisted" Light Horse personnel) is about 46,000 of all ranks, organised as the nuclei of five infantry divisions and two cavalry divisions; of the senior cadets, only the oldest quota is now being trained. The training of the citizen troops was to be of an intermittent type during short periods yearly, somewhat similar to that of the Swiss Army, and Lord Kitchener expected that voluntary training would supplement the compulsory training periods. He also recommended the establishment of a military college in Australia for the training of the officers of the permanent staff corps, who would be required for carrying out the new military system. His recommendations were adopted, even strengthened, in due course by the amending Defence Act of 1910, and the new system was put in force in 1911. On July 1, 1912, the first quota of recruits for the militia citizen troops was enrolled for training. To a certain extent voluntary enlistment continued, *e.g.*, in the case of the permanent troops, and the higher ranks of the citizen troops. The previously enlisted citizen troops carried on their military service alongside the troops raised under the new system, but with diminishing numbers as time passed by.

Good progress had been made with the new military system, both in its strength and training, and also in

provision of arms, equipment, clothing and munitions generally, when war broke out in August, 1914. The institution of the new system facilitated the manning of the local defences of Australia at outset of war, and, a little later the prompt raising, arming, and equipping of the first contingents of the Australian Imperial Forces for oversea service, such forces being, however, always raised by voluntary enlistment.

During the war the raising of these Australian Imperial Troops was the first consideration of the Government, and naturally the training of the Home Defence Citizen Force suffered.

Since the war, and the disbandment of the Australian Imperial Troops, more attention has been given by the Government to the needs of Australia's citizen troops, but, neither in numbers, in training, nor in other respects, are they yet up to the standard which Lord Kitchener had in view. There is, however, some ground for thinking—now that the Federal Government's recent naval programme has been very largely completed—that a military programme will be adopted by the Government which will improve the efficiency and strength of its citizen military forces. One must not, however, lose sight of the advantage to the citizen forces of the presence in their higher ranks of a certain number of officers who served with distinction in the Australian Imperial Forces during the Great War, nor of what is being done by means of special training of a voluntary character to improve the standard of leaders of all ranks.

As regards the supply of arms, ammunition, and munitions generally, the policy of the Government is to make Australia as self-supporting in time of war as is practicable. Soon field guns, as well as machine-guns, and their ammunition will be manufactured. Tanks and anti-aircraft batteries have not been overlooked, nor have anti-gas masks, but it is not known what steps, if any, have been taken in regard to supplies for chemical warfare. Wireless is, in Australia, in the ultimate

control of the Federal Government in time of war, and likewise cable terminals on the coasts of the Commonwealth.

Air Policy.

This is virtually a product of the Great War. Before August, 1914, the Royal Australian Air Force was almost negligible. During the Great War Australia developed this arm to a considerable extent, her Air Forces being trained and equipped partly in Australia but mainly in Britain and Egypt, and serving with distinction on the battle fronts in France, Egypt, Palestine and Mesopotamia.

Since the War there has been steady development, and considerable outlay has been authorised this year (1928) for the provision of numbers of aeroplanes of the most suitable type for Australian conditions. Further development is now promised as a result of a recent inspection of, and Report on, the Australian Air Force by Air-Marshal Sir J. Salmond, R.A.F.; in this Report he recommends provision, during the next nine years, of 180 new aeroplanes of various types for the Air Force, and a somewhat different allocation of squadrons from that hitherto adopted. Training schools have been established near Melbourne and Sydney, which are used in part for the training of pilots for civil aviation. Recruitment is by means of voluntary enlistment; the main portion of the personnel is raised for continuous service during a period of years, but citizen force training is also provided for. Air and sea planes have hitherto been obtained almost entirely from overseas, partly by gift of the British Government, but a start has been made locally in seaplane construction and the development of repair and research establishments.

Still much remains to be done before the Australian Air Force is in a position to act effectively, and to the necessary extent, in co-operation with the Naval and Military Forces of the Commonwealth, or independently

of them; for the latter rôle, however, the opportunities for action in war do not appear to be so great in Australia as they were elsewhere in the Great War. The seaplane carrier, now being completed here, will, however, considerably extend the range of the Air Force. Photographic air survey work is now in progress on the Great Barrier Reef. The development of civil aviation routes in Australia, by means of governmental subsidies, goes on steadily, and so tends to the building up of a reserve for the Commonwealth's Air Force.

Control and Finance.

Defence policy, administration, and expenditure come under the general control and supervision of a Minister of Defence—at times assisted by an Assistant Minister—who acts through Naval, Military and Air Boards, and is advised, as occasion demands, by a Council of Defence. The results of the training, etc., of the Military Forces are annually reported on by the Inspector-General, an officer of the highest rank, and his report is presented to Parliament. A Commander-in-Chief is not appointed in peace time.

Excluding war service expenditures, the ordinary defence expenditure estimates of Australia amounted in 1927/28 to £5,403,840 (*i.e.*, 17/4 per head of population), of which almost half represents naval outlay. In addition, there were special appropriations—for new naval construction and, to a very slight extent, Barrier Reef survey—of £3,020,000, of which £1,020,000 is to be obtained from 1928/9 revenue. Thus the total defence expenditure estimates provided for out of last year's (1927/28) revenue (including Loan vote), or previous surplus, amounted to £7,403,840. The actual expenditure was at the rate of 22/4 per head of population.

The total cost of the two new cruisers, two new submarines, and the new seaplane carrier—all completed or on the eve of completion—is £7,400,000, which has been found by Australia during the last four or five

years over and above what was needed for the ordinary yearly defence expenditure.

In conclusion, it may be observed that, whatever may be the case with other nations, there is no room for the application of disarmament proposals in the case of the defence forces of Australia.

CHAPTER X.

A LABOUR VIEW OF PACIFIC PROBLEMS.

R. S. ROSS.

The Pacific Ocean stretches for about ten thousand miles from Behring Strait on the north to the Antarctic on the south, and for about the same distance from east to west along the line of the Equator. Its peoples are of every known condition and colour: they live superabundantly on the Asiatic side of the ocean, not abundantly enough on the American side, and sparsely on the Australasian side. In commerce and trade the waves of the ocean touch every shore. In a sense Pacific problems are those of all the rest of the world. In addition, there are the peculiar problems of the multi-coloured lands themselves and of the Imperial powers controlling them, and, last but not least, the specific problems appertaining to the conflict between Labour and Capital intensified by the juxtaposition of the dearest and cheapest labour. For the purposes of this chapter I define as Pacific problems the problems affecting the peoples and powers involved in the politics and industrialism of the countries bordering on the Pacific Ocean. This book treats of various aspects of these problems, but Labour's viewpoint may mean reviewing and revaluing every other.

But is there a Labour viewpoint? I should answer both yes and no. Inasmuch as the objective of Australian Labour, both politically and industrially, is the socialisation of industry, and that, in the final analysis, all means have to be decided by the light of this aim, there is certainly a Labour view—just as there is a Capitalist view. But whether this fact does clarify Labour's view of Pacific problems is doubtful. Until an idea has come to be taken for granted or is expressed in a declaration there is no definitive Labour view of anything under the sun. On Pacific problems, generally

speaking, Labour's view is so nebulous that it is ascertainable by inference only. Australian Labour has not yet found its way, though it is finding it, to a common viewpoint in Pacific problems. Moreover, agreement has yet to be reached on the vast issues separately confronting the parties and trade unions of the Pacific countries. Nevertheless, there are findings and facts—within Australia and beyond Australia—which show the way the wind is blowing; but even then, to a large extent, it is a matter of interpretation. (Necessarily I herein speak for myself and not as one having official authority.)

Labour's view of Pacific problems has until recently been somewhat vague, indefinite and abstract, and has been deducible only from statements in conferences and parliaments. The truth is that both the Labour party and the trade unions have been busy attending to purely Australian affairs, and putting their own houses in order; and thus have tended, except in exceptional cases, to leave outside things to outsiders. At the same time, it is true that Labour's voice has not been silent on external questions in times of crises. To this factor rather than to Labour's platform and pronouncements must we look for guidance in searching for its standpoint on questions not primarily domestic. Since the Great War there has been a slowly growing Labour opinion favourable to a broadening interest and activity in overseas relations. Not until 1925 did political Labour participate in even a Dominions' conference. In 1926 the Australian political movement, for the first time in history, took part in an international conference—the world conference on migration. Both conferences, if anything, accentuated Labour's problems, for the reason that the White Australia and migration policies, by the opposition aroused to them, served but to fling Australian Labour back upon a kind of Sinn Feinism. Nevertheless, the anti-war sentiment within its ranks induced it to endeavour energetically to promote, in 1927, a Pan-Pacific conference for the purpose of

furthering mutual action to prevent war in the Pacific. Though the effort failed, the intention was eloquent of a changing spirit. The traditions of the Australian Labour Party somehow connect and colour all its attitudes and ideas with deep-rooted aspirations like peace, brotherhood, goodwill and humanity. A sort of spiritual sense has more or less permeated and penetrated Labour conduct—however contradictory.

Of the obstacles in the path of closer unity, Miss Heagney (Australian delegate to the British-Commonwealth Labour conference, London, 1925) gives an indication in her report: "The subjects covered the whole field of Imperial and International politics, and the viewpoints of delegates on the questions of immediate policy were almost as varied as the form of government and economic conditions of the countries represented. The problems and needs of peoples in self-governing Dominions, Crown colonies, mandated territories and protectorates were ably voiced, and the delegates undertook to pursue the discussion in their own organisations, with a view to discovering whether it is possible to arrive at a unified Empire Labour policy on those subjects."

On the more practical side I now select such planks of political Labour's Federal platform as have a bearing upon Pacific problems:

- (1) The cultivation of an Australian sentiment, the maintenance of a White Australia, and the development in Australia of an enlightened and self-reliant community.
- (2) Navigation Laws.
- (3) Commonwealth Freight and Passenger Steamers.
- (4) Complete Self-government for Australia as a Member of the British Commonwealth of Nations. No Imperial Federation. Administration on advice of Australian Ministers only, subject to the control of the Commonwealth Parliament. All legislation, except such as appears inconsistent with Imperial treaty obligations, to be assented to on the advice of Australian Ministers only. No further Imperial honors to be granted in any circumstances to Australian citizens.

- (5) The High Court of Australia to have final jurisdiction in all Australian causes.
- (6) The New Protection, embodying effective protection of Australian industries, prevention of profiteering, and the protection of the workers in such industries.
- (7) Import embargoes for the effective protection of Australian industries, subject to the control of prices and industrial conditions in the industry benefited.
- (8) Civil Equality of Men and Women.
- (9) Adequate home defence against possible foreign aggression.
- (10) That the Commonwealth Constitution be amended to include a condition that no Australian can be conscripted for military service.
- (11) Immigration to be strictly regulated and linked with Land Settlement, and the expansion of Secondary industries.

(Note.—An influx of Immigrants in circumstances that would imperil Australian industrial conditions, by over-competition for the work available, would not be approved. The Labour Party's policy is designed to create further employment for the people already here, and opportunities for new-comers, by the breaking up of large estates and the expansion of primary and secondary industries. To protect Australian workers, immigration schemes must be carefully controlled, and Unemployment Insurance provided.)

If we read Labour parliamentary speeches on mandated territories and allied subjects, and recall what everyone knows to have been Labour's final position during the Great War, we have broadly a means of measuring Labour thought and tendencies germane to our subject. There must, however, be mentioned those circumstances that complicate any estimate of Labour's position. In 1927 the Australasian Council of Trade Unions, by its executive, affiliated with the Pan-Pacific Trade Union Secretariat. In July, 1928, the All-Australian Trade Union Congress endorsed the affiliation. It is plain that at least a large section of trade

unions upholds a Pacific programme of which the following is a part (Preamble to the constitution of the Secretariat; headquarters, Hankow):

1. To carry on a joint struggle against the dangers of war between the Powers of the Pacific.

2. To counteract the Imperialist dangers that menace the Chinese Revolution.

3. To help all the oppressed people of the Pacific to liberate themselves from the yoke of Imperialism.

4. To fight against and remove all racial and national barriers and prejudices which still divide the exploited classes and oppressed peoples to the advantage of the exploiters and oppressors.

5. To cement and to maintain a real fraternal united front of the exploited classes in the countries of the Pacific.

6. To organise and to carry out joint action of the exploited classes and oppressed peoples against the oppressing Powers;

7. To fight for World Trade Union Unity and for the creation of a single United Trade Union International.

Here stated is a Labour position that is backed by resolutions of import, but whether the policy in the test will prove more than pious, or whether it will ultimately be re-endorsed by Australian unionism, remains to be seen. Expressly the Australian Workers' Union disavows the A.C.T.U. and the Secretariat. It takes the stand that affiliation jeopardises the White Australia Policy. That this is the case is denied fiercely by the protagonists of the Secretariat. The argument pro and con has been stormy and conflicting. On the surface, the fact of affiliation would seem to contradict completely what has been contended as to estimating Labour's view. Personally, I think not. It is to me a fateful coincidence that in the very month I undertook to prepare this chapter, I—among the minority at the A.C.T.U. Congress—was caught up in a controversial whirlwind of discussion on the Secretariat and what it stood for. Despite the trade unionist affiliation, and despite the evident disposition of the movement to look

beyond our coast lines, I reluctantly conclude that Labour has a long trail to track ere it acquire a dominating Pacific sense—either of danger or of fraternity. One wonders at times if Australians realise that they are a Pacific people. Have we even a national outlook? And can we develop an international spirit other than through nationality? One, at any rate, thinks it incumbent that, in the future, Labour closely associate itself with the Institute of Pacific Relations in order “to study the conditions of the Pacific peoples with a view to the improvement of their mutual relations.”

Labour parliamentary speeches have covered all phases of the mandated territories in Australia's care, and not a little has been said of the influence upon New Guinea, Nauru and Papua, of contact with white administration, imported diseases, indentured labour and so forth. Of our democracy as a whole it is no exaggeration to say that it is heedless of its responsibilities in this field and probably unconscious of them. Judge Murray, as an Administrator finely trying to “think native,” cannot be accused of keeping things dark: he takes pains to feed us on facts. *The Round Table* of March, 1928, pertinently remarks that “as a people we need to realise that we have deliberately chosen a role in the South Pacific, and that Australia will be judged by the success or failure of our performance.” It would seem—in the face of the admitted under-capitalisation of the territories—that government funds must be utilised for development. Those who think it will be easy to adjust the differences and interests—created by extrinsic activities—between the Pacific peoples, might reflect that even in carrying out their mandates in the case of comparatively simple souls Australia and New Zealand are meeting with lots of trouble. The Samoan Archipelago, for example, is restive and dissatisfied under New Zealand's “military dictatorship” (Labour Leader Holland's phrase).

The way is now clear to take hold of some of our problems in detail and examine them. From a Labour

viewpoint the pressing problems of the Pacific resolve into these ten:—

1. War.
2. Revolution.
3. Imperialism.
4. Migration.
5. Population.
6. Production.
7. Industrialisation.
8. Standard of Subsistence.
9. Industrial Unrest.
10. White Australia.

Although these problems are interrelated and inter-dependent they each have a separate existence as questions of principle or policy.

War.

Why was it that upon completion of the Great War attention became focussed on the Pacific as the sphere of the next war? The World War is itself the answer. As a result of it, says W. F. Ahern (*Australian Worker*), "the peaceful waters of the Pacific Ocean have been turned into a burning cauldron." The reason lies in the advance of Japan, and the clash of racial and economic interests—chiefly over China—thereby emphasised between Japan and the United States of America, with Great Britain and other Powers necessarily drawn into the maelstrom. "China is the key to the Pacific," says Robert Machray (*Fortnightly Review*, March, 1921). "Whether Japan avows it or not, her persistent aim is to gain the mastery of the Pacific" quotes Lothrop Stoddard in *The Rising Tide of Colour* as coming from a Japanese writer, Satori Kato. E. D. Morel stated Japan's aim to be the destruction of Chinese independence. "Thus" (says the Plebs textbook on Modern Imperialism) "on the eve of the Washington Conference the Pacific Ocean and its great problems had become the centre of attention in world rela-

tions. . . . The menace of a new war was casting over the waters of the great eastern ocean an ever-widening, ever-deepening shadow." In March, 1928, *The Round Table* remarked that "the huge armaments of America and Japan indicate that the Pacific is as important an area of diplomacy and strategy as the North Sea." It is of some consequence in this connection that in *Will Civilisation Crash?* Lieutenant-Commander Kenworthy predicts that if Japan became involved in war with either England or America over the migration question, America in the one case and England in the other would intervene. Kenworthy says that if England resisted intervention the Empire would dissolve and Australasia hoist the Stars and Stripes. Be that treasonable or otherwise, there is authority enough for the theory of a coming Pacific cataclysm that may wipe White Australia and its Labour movement right off the map. When in Australia Lord Jellicoe said: "The Pacific contains great possibilities of trouble." The late Admiral Mahan, of America, held that "the Pacific is the theatre of the next world war." Mr. Hughes, when Prime Minister of Australia, referred to "the balancing centre of the world's trade and development" having passed to the Pacific. At the International Labour Conference at Geneva in 1926, Mr. J. Beasley, representing Australian employees, said that "Australia apprehended that the next war would be in the Pacific zone." Typical of many utterances during the past dozen years is the view expressed by the French Minister for the Interior, M. Surraut, that "the Pacific has become a world problem, the solution of which involves the future of civilisation. The Pacific is the theatre in which will be staged at no distant period the most formidable conflict that civilisation has ever known." This opinion was the subject of a cablegram so recently as September, 1928. What is Labour's view of all this? It is not easy for a spectator to say. Labour's view is so often ambiguous and equivocal. Nevertheless, it can be claimed that in the long run

Labour has been, and almost surely will be, on the side of anti-war. Silent as its official platform may be on the subject, effective as was Mr. Fisher's affirmation at the outbreak of the Great War that Australia would be there to the last man and the last shilling, it is undeniable that by 1918 the Australian Labour Party was for ending the war and for peace by negotiation, and also that scores of Labour resolutions express allegiance to the slogan of "No More War." While the movement may be said to be officially for peace, it is not likely that it would be for peace at any price, or even in a crisis for peace itself. Another paradox! "It is quite obvious that the organised strength of the working class is the only force which can prevent an Imperialistic war in the Pacific," says a Pan-Pacific Secretariat resolution. But in the direction of practical steps to prevent or stop war Labour, as yet, has no definite programme of action. There have been Labour advocates of such a programme, and the original idea of a Pan-Pacific working-class conference was that at such a gathering agreement might be reached on taking collective action against war. But, despite agitation, neither the Labour Party nor the trade unions (by Congress or through the Secretariat) has decided on any tactics or measures definitely and practicably different to what obtained when the last war broke out. They must hasten if they would flee the wrath to come.

Revolution.

As direct action against war there are those working-class groups who favour the general strike, others who favour a revolutionary rising, others again who endorse the "folded arms" resistance, and still others who regard human life as sacred; but the success of Sovietism has undoubtedly predisposed most of the strategists of the class struggle to the view that for at least the coloured countries of the Pacific there is no other way out of bondage for their workers than through civil war. Says the Secretariat: "The largest problems of

the Pacific trade union movement remain the same, namely, the struggle against war and the liberation of the oppressed peoples." This implies insurrection, perhaps revolution, and if allied to Communist theory furthermore implies the dictatorship of the proletariat and the supersession of the present order and, possibly, of democracy. Australian Labour can be trusted to be overwhelmingly for the maintenance of democracy, but of what avail this stand, if along Pacific shores there be also overwhelmingly none of democracy in the Australasian sense? The growing belief in the necessity of violence is, perhaps, as grave a menace as the danger of war itself. The associated aspects bristle with terrible conundrums.

Imperialism.

We have really to deal with a new Imperialism. To-day it is an economic Frankenstein monster. In its early stages it was a system of colonisation and was essentially political. Cecil Rhodes inaugurated the transformation. Lenin, in his *Imperialism*, quotes Rhodes as saying, "My chief idea is the solution of the social problem, that is, in order to save the inhabitants of the United Kingdom from a murderous civil war, we, the colonialists, should procure new territories for the purpose of settling the surplus population on them, for the purpose of having new territories in which we can dispose of the goods produced in the factories and brought up from our mines. I have always said that Imperialism is a question of the stomach. If you do not want a civil war, then you must become Imperialists." The boot is on the other foot to-day! The war that was to end war destroyed Germany only to bring into the arena a more powerful competitor with Great Britain. The United States of America emerged from the war a great naval power and the foremost capitalist nation in the world. It is a Chinese who supplies the definition that fits the occasion. In *China and the Nations* Wong Ching-Wai (secretary to the late

Sun Yat-Sen) concludes that Imperialism may be defined as "the utilisation by any people of its political and military ascendancy for subjecting to its economic encroachment some foreign country or territory or race." In the rapids of this process and policy, is humanity to continue entirely helpless? Wars would be less likely were the motive of economic Imperialism removed, were special privileges in backward areas ended, and were some method of rationing the raw materials of the world insisted upon. To the extent that Labour is for Socialisation, to that extent it is utterly opposed to economic Imperialism, which would aggregate as far as possible the nations under the domination of a particular race. A motion on colonial policy by the Labour and Socialist International supports "the efforts towards emancipation of those colonial races who now fulfil the basic conditions of modern independent civilisation, and claims on their behalf complete liberation from the foreign yoke. For other colonial peoples who have not yet reached this standard it demands sufficient safeguards against suppression and exploitation, and insists upon their systematic education with a view to independence and, concurrently therewith, the progressive extension of self-government until they obtain the right of full self-determination. . . . There should be absolute equality of rights of trade, industry and settlement in all colonial territories for citizens of all countries." Appropriately, Bertrand Russell believes that "Nationalism as a doctrine makes it quite impossible to end war"—and yet, since the war, the world's nations have become more national! Nor are they likely to turn to the right-about if Imperialisms are to end in all-round self-determination and a multiplication of Republics as the immediately foregoing resolution suggests. Australia has not really had Nationhood: is it to be too late for the enjoyment of this grandeur? Yes, unless it can hold tightly and never let go its White Australia.

Industrialisation.

The industrial exploitation of the East proceeds apace. An abundant supply of cheap labour so close to raw materials and markets was the motive for this further internationalisation of Capital, with its corollary of progressive over-production. "The gradual transformation of backward countries into surplus-producing countries will cause fiercer competition for markets and for the fewer remaining investment opportunities in backward countries, and thus economic Imperialism will become more intense."¹ Apart from the industrial marvels being wrought in China and Japan, a specially strong impulse towards industrialisation is now manifest in the Dutch colonies. Glass works in Sumatra and a smelting enterprise in Borneo are but straws in the winds of speculation. A great industrial company (one reads) is being formed to conduct operations in the West Indies. In *Whither China?* Scott Nearing mentions that he went to China and concluded that industrialisation, initiated by the Imperialists and now pushed forward by the Chinese themselves, was the basic force that was creating a new China; but he also decided that at bottom the movement for industrialisation was not Chinese but economic and social, and was penetrating other portions of Asia at the same time. An ominous summing-up in this connection is Upton Close's *The Revolt of Asia*, in which it seems to be suggested that China—certainly a cockpit of the Pacific—is a catspaw of Russia. It is pointed out that, being ostracised by the western nations, Russia deliberately turned to Asia for affiliation. "This latter is unquestionably the most far-reaching result of the World War. The historian of a century hence will be no more concerned as to which of the European nations was the technical victor of that contest than is the present historian as to which of the city States of Greece won in the Peloponnesian War, but he will be tremendously concerned with the fact that by throwing Russia back into Asia it completely changed

1. *Outline of Modern Imperialism—the Plebs League.*

the balance of power of the nations and the Continent, and ushered in the end of the white man's world." Who shall say? That Russia is an empire and may have imperialistic desires and designs cannot be left out of calculation: Great Britain, America, Japan, Russia!—truly in the Pacific a mighty clash of consolidated Imperialisms!

Standards of Subsistence.

A view brought prominently under notice by the Pan-Pacific Secretariat is that the continuance of Australia's standard of subsistence depends upon raising the standard of the coloured peoples. But is it inevitable that unless the living conditions of the Pacific peoples are improved Australian standards must be lowered? As a fact, Australian standards were raised in the teeth of formidable outside competition and conditions. Whether this can last is problematical. The depression and unemployment of 1928 have proved that Australia's prosperity is bound up with that of Great Britain, and, perhaps, of Europe, maybe with that of the world. It is clear, too, that unless the standards of the East are raised the West cannot hope to compete with it for markets, and it is as clear that the West cannot have markets in the East unless Eastern standards are raised to the extent of providing purchasing power for the goods. If, on the other hand, the Australian standard of living is lowered, how can Australia's demand for its made-in-Australia goods be other than lowered also? Capitalistically speaking, over-production is on so vast a scale that, because consumption does not equilibrate it, poverty and misery are universal, in feast and in famine. It is held by the Labour Party that only the socialisation of industry is the final cure for over-production, the final preventive of saturation—yet, short of socialisation, an extensive application of Labour legislation or social reforms on Pacific shores would tremendously ease the situation. A Secretariat resolution, however, postulates that "with the rise of the Labour

movement the struggle for national liberation has become a part of the struggle for improvement of the workers' living conditions. The trades unions have thus become the leaders in the rising national revolutionary movement." That a low standard results from low wages (however costs fall) any analysis of Eastern conditions demonstrates. Lewis Garnett, writing in the *New York Nation* of August 11, 1926, said: "A Shanghai cotton-mill worker would have to work two weeks to buy a hat, longer to buy a pair of leather shoes. A pair of sheets would cost a month's wages, and an overcoat three months' toil, a daily paper one-tenth of the daily income, and a ton of coal four months' earnings. If these industrial workers do not use coal or wear hats or shoes or overcoats or buy newspapers, they live on a lower level." Colonel Malone confirms these figures: "It costs a man working in a cotton mill or silk filature in Shanghai more than half a month's wages to buy a pair of leather shoes, a month's wages to buy a pair of bed shoes, three months' wages to buy two lbs. of pork or four lbs. of apples." Colonel Malone further makes a comparison between the standards of living of a U.S.A. farmer of Iowa and a Chinese peasant. "Whereas the American farm family spent in a year £300/6/6, the Chinese farm family on a farm of similar size spent £22/9/1." In Japan conditions are even worse than in China. The Indian ryots are in the grip of the money-lender. And Indian problems are coming to be considered part of Pacific problems, for Singapore is a gateway. Indeed, the conditions of labour in the coloured lands of the Pacific are incredibly wretched—wages low, hours long, housing insanitary, child labour prevalent, women extensively sweated; one thinks that everything is backward; even the psychological acceptance of the economic abyss is fatalistic. The horrors of 20th century industrialisation eclipse those of England's industrial genesis. Well for its workers that Australia recognises the standard of subsistence to be socially the Plimsoll mark of advancement and achievement.

Population and Production.

Population gives us a two-sided problem. On one side we have under-population and on the other over-population. In the first-named category we have the slow, sure decline of certain Pacific peoples, and it will be a hard task to preserve races of islanders from extinction. Here again, the solution is one of contradictions and complexities. But by comparison with the declining populations the increasing populations are as a mountain to a microbe. Callous as it may sound, there is no menace to Australia in the decline—there is a terrible menace in the swelling floods of human beings who have no room to live decently and are over-crowded to the point of suffocation. That is why in these troublous times, with the world weary of well-doing and fat with the famishing, migration hovers athwart the horizon like a vengeful ghost, an intensified if resurrected spectre. Each nation is worried with the phenomena of population: of what to do about its own people or fear of what its neighbours may do about them. Migration has been turned from friend into foe. The movement of the masses, coming or going, loads modern Governments with problems threatening to be catastrophic. In the Old World there is no nation where population, from within or from without, is really wanted—there are few nations whose gibbering conundrum is not where to empty their surplus people. The adequate feeding, housing, clothing and employing of the citizens seems hopelessly beyond control: more mouths mean more morons, more anxieties, more dangers. Over-population reveals eerily and ominously its horrors and terrors. If the aspect of the situation in the New World is more wholesome, in the Old it is none the less frightening. It is of striking significance to this argument that Griffith Taylor's *Environment and Race* thinks that much of Australia is destined to be uninhabited for ever. Do we wisely cry out for an imported populace when natural increase will bring us to fighting for

a foothold? The accelerated inflow of people during the last few years has decreased our national prosperity by swelling our unemployment. We are at present (September, 1928) experiencing a depression due to our "surplus population," however absurd the phrase sounds in Australia. We have not been equal to absorbing the number of new-comers, notwithstanding that the number of new-comers is smaller than that officially estimated as absorbable. For our generation, markets constitute a big problem. The position of some Australian industries already attests that markets are limited. When Australia has the 20,000,000 to 50,000,000 people that some design for it, where will it find markets for its tremendously multiplied goods? Granted that more millions mean more markets, yet every single one of the millions, in the nature of the profit-making inherent in the system, must contribute to the surplus remaining over the consumption. Therefore, speaking broadly, the larger the population the greater the poverty, things being as they are. Food supply has its serious bearing on our problems. As for Australia, the law of diminishing returns suggests that, in time, our primary products may decrease.

Migration.

The formative thought-influences within its movement are of great moment to Australian Labour, important as is the increasing introduction of Australian affairs at League of Nations and Imperial conferences. At both the Empire and international conferences already mentioned, migration in its bearing upon White Australia was pushed to the front as a principal debate. At the international gathering this resolution was carried: "The Congress holds firmly to the principle of freedom of movement; there must be no restriction on such movement for political reasons; economic influences, however, may temporarily restrict immigration." Against the adoption of this resolution Dr. Evatt (New South Wales) unavailingly made a strong speech. Of

the other gathering, Miss Heagney reports that "it was obvious that the remarks of the delegates from the Dominions most concerned with immigration did not please the British delegates. They view our large, sparsely-populated areas as 'British possessions,' to which they are entitled to send their 'surplus' population, and do not sympathise with the Labour point of view presented by the Canadian and Australian delegates." "Discriminatory immigration laws in some countries, chiefly in Australasia and America, must be combated," says a resolution of the Pan-Pacific Secretariat. On the other hand, the Federal Labour Leader, Mr. Scullin, has said: "Any attempt to bring immigrants at a pace faster than we can absorb them will prove disastrous. Labour's is not a selfish policy aiming to keep Australia a monopoly for a comparative few, but a policy definitely declaring against the flooding of the country with people to create unemployment and what it means." The All-Australia Trade Union Congress of 1927 decided that "mass migration assists the Capitalist class." An example showing how migration and its correlatives tend to hold the supreme place in Imperialistic and International conferences is the fact that on an agenda of six subjects for the Empire Labour Conference, convened for 1928, four read—Migration, Subject Peoples, World Peace, Trading within British Commonwealth. Emphatic are the evidences from many sources of the lack of Continental sympathy with the ideal of a White Australia; and English-speaking America may prove to be this country's one ally. What fierce complications may develop from Labour's international solidarity is on the lap of the gods. Neither imperialistically nor internationally can the Australian movement escape participation in co-ordinated deliberations and decrees. Incontestably Labour opinion in all lands is inspired by international vistas, and if Australian Labour strengthens its affiliations it may be called upon to abolish or, at any rate, considerably modify its White Australia

doctrine, for doctrine it now is more than device. There is some hope of winning international support for the doctrine if dubiously interpreted as an economic subterfuge, but even this is not likely to win over the League of Nations when the time comes, as come it will, for its interference.

Industrial Unrest.

Did space permit it would be possible to prove, I believe, that along the lines of Labour palliative legislation, if the palliative process be continuous, industrial unrest could be removed. We are on sound grounds in regarding the palliative theory as an essential Labour contribution to political economy and social strategy. Emergent from the primitive man is an economic animal, that is, a creature living less by his wits than by his wealth. Economics becomes the science of the production and distribution of wealth. Thenceforward society moves from the simple to the complex: complexity is progressively its characteristic. This ever-changing, ever-growing complexity must be viewed as pivotal in dealing with the problems of industry. It represents the unity of the economic with the psychological. Man is now maker of the conditions by which he is moulded. Thus it is a complicated causation, the effects of which clamour for cure. The presence of industrial problems is basically a developmental phenomenon, and is the price paid for progress.

White Australia.

All through this paper I have assumed that the White Australia policy is desirable and necessary. I do not propose to enter upon any lengthy argument as to how and why it became a passionate and basic gospel of the Labour movement. Without the policy, Australia's standard of subsistence would be smashed to pieces. Whenever coloured labour enters into competition side by side with white labour it undercuts, undersells and underlives the white. Economically, white and coloured

are as far apart as the poles. If I could I would keep Australia white because, the last of the continents, it has fortunately become peopled by one race of one language, with uniform habits, customs, laws, traditions and outlook. One likes to picture the future if we could but be let alone to make a unique experiment of being undivided by colour, customs and language, thus preserving a wonderful homogeneity, preventive of racial misunderstandings, disputes and lynchings, such as fall to the lot of the peoples of other continents. The contrast between Oriental populations and our own is strikingly put in *The Round Table* for March, 1928, where it is held that the White Australia policy is essential as a means of defence. The opinion is of weight in a day when publicists in the main rather hold the view that White Australia is a potential war-maker. "The existence of Australia as a British community depends upon her preventing the British element in her populations from being overwhelmed," says the *Round Table* writer, careful to point out that Australia could not handle Pacific problems unaided.

* * * *

As I conclude this survey my emotion is that for myself and my country everything about the ultra-problematic Pacific is all awry. The more one reads on the problems the more one is alarmed, the more one thinks the outlook full of foreboding. Wherever one turns, a black wall stands like an inexorable Gibraltar across one's path, offering naught but something upon which to dash one's head in erring futility. As a country Australia is in the danger zones because of the proximity, ambitions, and requirements of Asia's multiplying millions. In the circumstances of its peculiar development—somewhat insular, instinctively protective—the Labour movement of Australia, because of a tradition inspiring it to free itself from Old World injustices, and another tradition originating in reliance upon the ideal of Australia for the Australians, finds

itself almost as much at variance with its own people overseas as with the forces of the economic system it seeks to end or mend. From neither of the Internationals—the Second nor the Third—can it expect final acquiescence in the White Australia policy, and it is doubtful if even its English brethren have any sympathy with that policy. As for immigration restrictions, the movement abroad is at heart quite unanimously impatient with all such restrictions and has barely time for even selective methods. The New Protection, and allied prohibitions (*e.g.*, sugar bounty, etc.) are conceived as barriers to be burnt away before the cleansing fire of brotherhood and the march of events and internationalism. The platform of the Australian Labour Party is thus provocative to other movements within the Empire of which we are a part. Thus, if one recapitulates the pivotal features of an extraordinary position, one cannot escape recognising that portions of the Empire, *i.e.*, India and the mandated territories, Great Britain as headquarters of the Empire, the nations of Europe, and the peoples of the Pacific all unite in antagonism to Australia's exclusiveness and to its labour programme, as far as both oppose the interests and ideas of the objectors. Furthermore, within the Australian movement there are fierce champions of every viewpoint thus indexed, and there are, as this chapter has made plain, wide differences of opinion on matters explicit and implicit in our ten pressing problems, not to mention such vexed questions as defence and prohibition. And yet, of Australia's social experimentation so keen a critic as Victor S. Clark could write in his book, *The Labour Movement in Australasia*, that "Australian Socialism has been called a 'socialism without doctrines.' Its object is to secure instruments by which workers may control industry. It seeks tools rather than proclaims theories, and does not try to harmonise practical attainments with a preconceived idea of society. Therefore, the socialism of Australia is unique and worthy of study as a phase—though still incomplete and

possibly not abiding—of Anglo-Saxon history. Even more important from a practical standpoint is its revelation of the vital forces directing the Labour movement as a world-wide phenomenon.” Since Clark wrote, things have moved with hurricane swiftness. Mechanisation has made all things once more new; now rationalisation is here with a second industrial revolution. Sovietism is on the spot also. Wonderful indeed if all thought and theories were not in the melting-pot! Is Australia also to be there? It is a Sphinx-like riddle. One turns to Carlyle’s *A Kind of Road Melody or Marching Music of Mankind*, otherwise Goethe’s poem, for light in our darkness—

“The future hides in it
Gladness and Sorrow;
We press still thorow,
Naught that abides in it
Daunting us,—onward.

* * * *

“Here eyes do regard you,
In Eternity’s stillness;
Here is all fullness,
Ye brave, to reward you;
Work and despair not.

CHAPTER XI.

THE AUSTRALIAN MANDATE IN NEW GUINEA.

J. W. BURTON.

Until the year 1875 practically nothing was known about this Territory. It is true that one or two traders attempted dealings with the natives, and a small store had actually been put up at a place named Matupit, in Blanche Bay; but no man had contemplated taking up his permanent residence until the Rev. George Brown, D.D., a Wesleyan missionary, landed at Port Hunter, in the Duke of York Group, on August 15th, 1875, with the object of settling amongst the people and commencing a mission. For a number of years Brown lived in the New Britain Archipelago, and established mission stations in various centres. He was very anxious that the British Government should assume control over these islands, but at that time there were considerable complications in Europe, and a general re-shuffling of possessions was taking place. In 1883 the Queensland Government, fearing that the Islands might be annexed by Germany, provisionally claimed non-Dutch New Guinea; but Lord Derby, who was then at the Colonial Office, refused to allow annexation on the ground that such action was *ultra vires* on the part of a colonial government and was likely to create difficulty among the Powers, and, furthermore, that any annexation infringed native rights. In 1884 Count Munster, the German Ambassador in London, stated that his Government considered that parts of the wild country on the north side of New Guinea might be valuable for German enterprise. After considerable discussion and negotiation it was finally agreed that Germany should have the northern portion of non-Dutch New Guinea, and certain boundaries were decided upon.

At first the German Government did not take its

possession very seriously, the administration of the mainland, the Bismarck Archipelago and the German Solomons being left to the chartered New Guinea Company until the end of the century, when the Government took over active control and embarked upon a policy which had as its ultimate end the complete occupation and exploitation of the country.

And it must be granted that the Germans did very much to develop their possession. They built good roads and large wharves, with excellent shipping facilities, were erected at Blanche Bay and at other centres. The first administrative centre was Herbertshohe (now known as Kokopo), but later on the capital was shifted to Rabaul, because, it is said, it had greater military advantages, being at the head of Blanche Bay, and secure from attack either by sea or by land. On the whole, the German attitude to the native people was benevolent; but, obviously, trade was the supreme object, though there was no attempt at any undue exploitation of the weaker people. There has been criticism of the system of "Kiap" or Government plantations. The natives were compelled to bring these plantations into existence and to maintain them. The produce, however, from these coconut trees was theirs to dispose of, and from the proceeds they found the means of paying the taxes demanded. It might appear that in this there was an element of duress, but if the natives were to be industrialised possibly no better way could be found of teaching them to work for themselves in some regular and systematic manner. This method has been carried out with considerable success in Papua, and so long as the real end of helping the native is kept in view the result can be only good.

In 1914 the Great War commenced, and Australia, with youthful ardour, set off to capture German New Guinea. On September 11th, 1914, a contingent of fifty Australian soldiers was landed at Kokopo, and, after a slight engagement, the British flag was hoisted

on September 12th and military occupation proclaimed. This Military Administration continued until May 9th, 1921, when a Civil Government took control. The conditions under the Military Administration were far from satisfactory. There was on the one hand a lack of discipline and control over the natives and on the other hand a not inconsiderable amount of cruelty. Some very ugly stories might be told of that regime, but it must be remembered that the Military Authorities were without previous experience of native people, and were placed in an exceedingly difficult and unexpected situation.

Under the Treaty of Peace, signed at Versailles on the 28th June, 1919, Germany's title to New Guinea passed into the hands of the Allied Powers, by whom a Mandate was given to His Britannic Majesty, on behalf of the Commonwealth of Australia, to administer New Guinea and the islands adjacent. This Mandate was of the "C" type, which allowed the Mandatory to govern the Territory (subject to the Mandate) as if it were an integral portion of the Commonwealth of Australia. This must be remembered as we consider our attitude to the Territory.

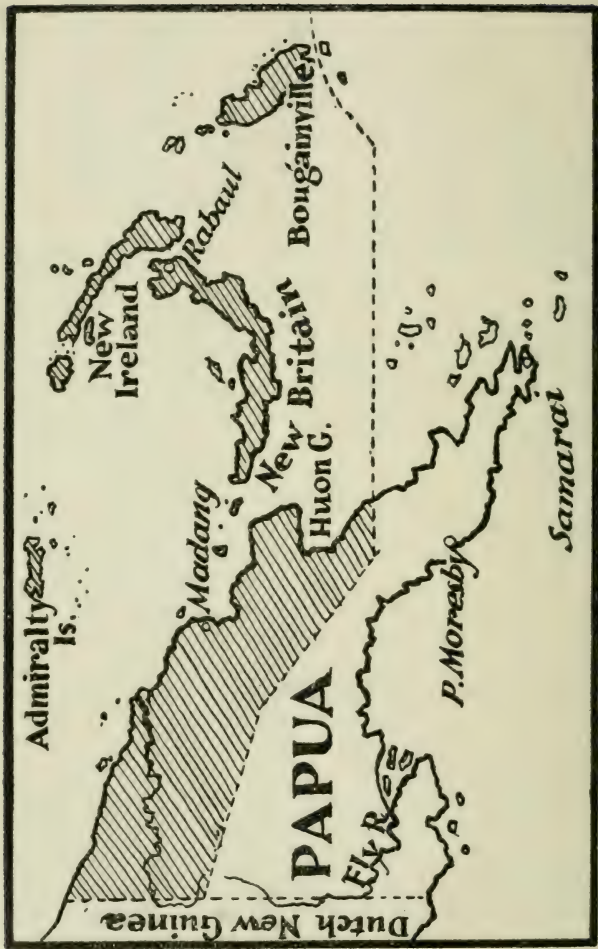
The Protectorate, as the Germans called the possession, included the German portion of the mainland of New Guinea, with the Bismarck Archipelago and the German Solomons (Islands of Buka and Bougainville), and the Pelew, Caroline, and Marshall Groups. Our Mandate is exercised over the above with the exception of the latter groups, which were mandated to Japan. The Germans found it an odd collection and extremely difficult to manage.

The area of the Mandated Territory is approximately 92,000 square miles, and the population is variously estimated as between 400,000 and 500,000. According to the last report, those actually enumerated by the Government patrol was 292,768, and the total official estimate, including the enumerated peoples, was 419,908. When we took over control it was estimated

that there were about 1500 Chinese in the Territory and about 400 whites. The German element, other than the missionaries, was promptly deported, and there has been a gradual decrease in the number of Chinese through repatriation. To-day there are only about 1200 Chinese in the Territory, and though the births exceed the deaths, departures from the country account for a decrease that averages about 50 per annum. It is the present policy of the Administration not to encourage any alien settlement.

One of the factors in the administration of the Territory of which we must take note is the expropriation of enemy property. When New Guinea was taken from the Germans there was a large plantation system, and according to the letter of the Treaty all enemy property, including property owned by private enemy nationals, was to be surrendered to the Allied Powers and the proceeds of the sale of such property applied to reparations. If this had been interpreted to mean only the big company properties, possibly no great injustice would have been done; but in many cases it was the small planter who in good faith had put his little all in his venture, and who had given years of life to its development, who was ordered out of the country with a valueless cheque drawn on his bankrupt nation. Many of us as we faced some of these individual cases felt ashamed of such action, but, apart from that, it was, in the opinion of the writer, a great mistake to sell these plantations to the highest bidder. It would have been far better if they had been nationalised and proclaimed as Government plantations, as in Samoa, and held in trust for the benefit of the natives. Furthermore, under a sane system of native education many of these plantations could have been used as training grounds in modern agriculture for the native people, and would have conserved for them through long generations their own land, providing incentives to honest and profitable toil.

A curious anomaly in the administration of the Ter-



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ritory was that the control of these expropriated properties was entirely apart from the Government, and we had the spectacle for some years of two Administrations, practically equal in power and influence, existing side by side, and with relations that were not always happy. With the sale, however, of the last lot of plantations, the Expropriation Board practically retires from New Guinea, and many of its staff will doubtless be absorbed either in the plantations or by the Government of the Territory.

The Present Position of the Administration.

According to the Mandate, our chief concern is to "promote to the utmost the material and moral welfare and social progress of the inhabitants of the Territory," and one is thankful to report that there is every evidence that this point of view is ever present in the mind of the Administration. There may have been failure to carry out the objective, owing mainly to lack of efficient staff, but there has never been any lowering of the standard, and we owe a great deal in this respect to the firmness and ability of the present Administrator, General Wisdom.

When attempts are made to judge of the success or failure of the administration of our Mandate in New Guinea, we must bear in mind certain special difficulties that confronted Australia. The government of native races, it will be readily admitted, is a highly complex undertaking and set about with problems of peculiar delicacy. There is, therefore, required for successful administration a vast store of accumulated experience; and a number of highly-trained and fully-qualified officers is essential. But Australia has had very little experience of native races; for the less that is said about our relations with the Australian Blacks the better. In Papua, it is true, we have managed with more than ordinary ability a native race, but even there we had only a skeleton staff of efficient men, and could not well spare any for a new venture.

It must also be remembered that the problems were complicated at the time in that the "returned-soldier" sentiment was overpoweringly strong, and this meant that undue preference had to be given to men who had served their country in this particular way. Everyone feels that the country could not have done too much to repatriate such men and to rehabilitate them in life; but in a highly technical and important task such as the government of a native race, even that sentiment ought not to overbalance judgment, and only when all other things were equal should preference have been given to returned men. The result is that men have been appointed to administrative positions for which they have had no special qualifications and no experience. With a native race almost everything depends upon personal rule; and native people have an uncanny instinct in discerning the strength or weakness of personality. Though rule must be firm, it should ever be paternal in spirit and never arbitrary or unbending. Strictness is necessary, but hasty and dogmatic decision, which is often mistaken for it, is extremely baneful. It may be suggested that possibly the trained army-officer, by reason of the very attitude his position enforces upon him, is the last one who should be given an important position in the administration of native peoples.

"To be a successful administrator of a native people certain essential qualifications are necessary; there must be insight and imagination, imagination of the constructive or re-constructive kind, with an ability to understand and appreciate the social conditions of the people. There must also be ordinary intelligence, tact, patience, enthusiasm, a sense of humour, sympathy, and with it all strength of character and the power and determination to insist; combine the foregoing with personal physical energy and you have a type of administrative officer you may look to with confidence to produce the best possible results."¹

1. *Report on Territory of New Guinea* (1924), by Col. Ainsworth, p. 5.

Now, however, an attempt is being made to induce likely young men to enter the service as cadets, and arrangements have been completed by which they may receive a course of University training in anthropology, linguistics, etc. Special provision will also be made for supervision in practical field work in the Territory itself. It is to be regretted, however, that relatively few have been induced to offer themselves, and the building up of a New Guinea Civil Service of trained and qualified men would seem to be a slow process.

For administrative purposes the Territory is divided into ten districts and a special area on the Sepik River. To each of these districts there is appointed a district officer, deputy district officer, senior clerk and junior clerks. In addition to the above there are large numbers of native petty officers distinguished by a gorgeous cap and the title of *Luluai* or *Tul-tul*, according to their grade.

There is no legislative council nor any advisory council, but presumably the Administrator confers with the heads of departments concerning any special legislation. The Territory is administered at the Australian base by the Home and Territories Department, which, through the Minister, submits its recommendation to Parliament or to the Cabinet, and regulations are proclaimed by the Governor-General. There has been frequent agitation for some local council, but in this regard there are many difficulties. It is unthinkable at present that the natives should send representatives to any such council; and to have a majority of white representatives might mean that native interests would be ignored if not definitely exploited. It has been suggested that a Council of Advice might be set up consisting of heads of departments, heads of missions, and representatives of certain commercial interests.

“But whatever the form of control, it should be clearly understood that, while the white man must and will decide the broad principles on which the native

is to be ruled, the latter must be protected against being governed in the interests of those who are only concerned in obtaining cheap labour and in other ways exploiting him for their own benefit. Also, every possible consideration should be shown to existing native authorities and institutions.''²

In attempting to sum up the present position we may say in general that the Administration is inspired by the highest motives and evidences a keen sense of its responsibilities toward the native people. General Wisdom, the Administrator, is a man of probity and of enthusiasm, and though he has not had previous experience among native races, he has studied patiently and sympathetically the conditions that are around him. The staff is gaining experience, and as the years go by, if only the system of cadetship can be extended and made more nearly universal, we shall have an Administration of which the Commonwealth may be proud—an Administration that will be expert in its task and have a true insight into the great problems of the Territory.

The Welfare of Natives.

That the Commonwealth Government realises its responsibility for the welfare of native people is seen in the fact that an annual grant of £10,000, to be expended "expressly for the welfare of natives," has been given to the Territory.

The whole problem of native welfare is exceedingly difficult. In the first place it is hard to decide what is "Welfare" for a native people. For we must not take our standard from European ideas on this subject and argue that what is good for people of advanced culture is necessarily good when applied to a people of the Stone Age. Even though we have come to a right decision as to what welfare actually means, there is the even greater problem of knowing how to carry out a welfare programme without injuring and disintegrating native life. It was therefore a very wise step on the part of the

2. Col. Ainsworth, op. cit., p. 5.

Administration to appoint in the year 1923 a Government anthropologist, who could, upon important matters of native custom, advise the Government and help in the shaping of its policy. Furthermore, the country is very wild and rough. Only a few roads have been made, and these mostly around the coast, leaving the rest of the country almost inaccessible. In the great hinterland there are untouched masses of people, raw and savage, and with no knowledge of or desire for our civilization. Head-hunting, slave trading, tribal vendettas are constant occupations, and many practices too horrible and barbarous to describe are rooted in native life. Many of these customs must be eliminated if we are to establish anything like a satisfactory Government and lay the foundations of the ultimate welfare of the people, but this elimination cannot be carried out in any arbitrary fashion. Every attempt to uplift the people must be made with great care, with vast patience, and with broad sympathy. Moreover, there is the further disadvantage that so many of the people are of a low type, and it is very difficult indeed to hope that great changes can take place in any very short period:

“To see some of the village dwellers in the Baining country, along the south coast of New Britain, and parts of the New Guinea coast, is to make one think that many of the people, particularly the middle and older generation, are of such a low order of humanity that nothing short of a miracle can possibly change them into normal humans. Yet many of the children appear bright, and should, if their environment and associations are changed or their existing surroundings enlivened, become ordinarily intelligent and correspondingly an asset to the country generally. Should they, however, remain where they are and under existing conditions, they will undoubtedly become, as their elders are to-day, listless, apathetic, and practically dead to the world.”³

3. Col. Ainsworth, *op. cit.*, p. 16.

There is a curious ennui amongst these native peoples that is due to ignorance and lack of congenial occupation. They have interbred and followed unhealthy practices to such an extent that many of the people are physically degraded. Said a well-known missionary, who had given over a quarter of a century of service to these people: "What is chiefly wrong with this population is that it is physically sick," and this condition, in turn, has been the result of their past life. All these facts must be taken into very careful consideration when attempting any Welfare programme for these people.

Health.

No chapter on the Mandated Territory of New Guinea would be complete without a warm tribute to the splendid work done by Dr. Cilento, Director of Public Health in the Territory.⁴ Not only is he professionally qualified in a very high degree, but he has an enthusiasm for the native that seems never to flag, and a hope in the future of the people that shows no sign of abatement. Much of this hope and enthusiasm he has communicated to his staff, and the medical work throughout the Territory is perhaps the finest accomplishment of the Administration. Very much has been done, but Dr. Cilento is obviously very conscious in his reports that there is still a great deal more that must be attempted, especially in the direction of preventive medicine. One of the ways in which success has been obtained is in the training of young natives as medical *tul-tuls* or orderlies. These men are given a practical training in the treatment of common diseases and are able to go throughout the country and give injections of N.A.B. for yaws, treat common sores, and deal with milder epidemics. That their training leaves much to be desired is obvious, but it is a great achievement to have imbued natives with such ideals of service and to have trained their mind and

4. Since the above was written Dr. Cilento has resigned his position as Director of Public Health in the Territory.

hands to such admirable usefulness. Dr. Cilento writes:

“That policy of appointing natives to act as medical and sanitary assistants in villages was initiated by the German Imperial Government as early as 1903, and was most thoroughly developed in the Kavieng District. The system became more generalized in its application about 1910-1911, and many natives were trained in the Rabaul District and elsewhere, and distributed throughout native villages under the name of “Heil-tultul.” In many instances these natives were orderlies who had done a considerable period of service in hospital, and who, on completing indenture, and returning to their native villages, were provided with stocks of the more common drugs, bandages, etc. (which were renewed from time to time as they were expended), for use in the minor ailments arising in the village community of which the native was a member. They were under command, also, to inform the medical officer of any serious case of sickness or any local outbreak of disease occurring within their purview. Small hospitals of bush material were built by many of them in their villages, and have been maintained ever since.”

In the last report it is stated that 83,000 natives were examined by the medical staff on patrol and over 24,000 were treated in the hospitals.

One of the directions in which the Department of Public Health in New Guinea has rendered very valuable service to the native people is in raising the quantity and quality of food supplied to indentured labour. Some very careful research work has been carried out as to what is necessary, and now every care is taken to see that all indentured labourers are given a diet that will ensure and maintain health at a high standard.

Education.

The problem of native education is world-wide, and much patient investigation has taken place in recent

years. Africa has many lessons to teach us in the Pacific if only we have the humility to learn. Educationalists there have solved many of our problems and triumphed over quite a number of our difficulties.

The inexperienced person coming among native peoples usually puts his first emphasis upon the necessity of teaching them English; but usually, after repeated experiment and consequent failure, he comes to the conclusion that the native is not yet able to absorb to any degree of satisfaction a language that has grown up with a race whose outlook and culture are so different from his. It is easily seen that the content of the English language is utterly alien to the native mind, and though, for a while, with a parrot-like imitation, he may pick up words and phrases, the genius of the language can never be his, except he be taken at birth out of his old life and isolated for many years from all contact with his native speech. Nothing much more ridiculous could be imagined than the early attempts made by the Civil Administration to carry out a scheme of education. The project was started upon a grand scale: expensive buildings were erected, a costly European staff was appointed, and a great deal of money spent upon a mere handful of pupils. In 1924 some £19,000 was expended on the scheme of education, £12,000 of which was put into the erection of buildings, and the total number of scholars according to the report given was 104 in the elementary school and 42 in the technical school!

Referring again to Colonel Ainsworth's able report, we have a valuable criticism of the system of education in vogue:—

“It seems a pity that the present condition of the natives, and their more essential requirements, were not considered before making any definite move in the way of education. Bearing in mind the peculiar features connected with the conditions of native life in the Territory, and the fact that in no case have the people a practical tendency towards making the best

use of the soil, it seems fairly certain that the first thing to do is to instil into their minds a real sense of agriculture, by which means alone their future prosperity and very existence can be assured. Once the people are educated in an agricultural sense, the other elements of education can be considered. Were these people already keen cultivators, making the best use of the soil, then they would have been prepared for taking up other industries and, possibly, general education.”

One is glad to notice that lately a start has been made in a more practical direction. It will be obvious to all who have had experience with native races in the Pacific that their salvation lies in practical education, especially in agriculture; and a non-recognition of this fact is likely to lead all fair schemes into serious difficulty. There may be a few exceptional natives who will learn to use English as an ordinary means of conversation, but the great mass of their thinking will be in and through the vernacular, and their contact with the great World will come through such medium. It would appear, then, that the real method of native education is to teach them *in their own language* the things that are necessary to enable them to live a practical and useful life, and let English be taught to the few as a special subject.

The plan of an agricultural scheme is outlined in the 1926 report, and one hopes that nothing will be allowed to interfere with its execution.

Taxation.

With the coming of a Government it is inevitable that there should be taxation. The whole problem is to make the incidence of taxation as fair as possible, and to apply it in such a way that native industry will be encouraged. Papua justly claims to have done much in this respect, and, according to reports, the tax collector has the happy experience of people rushing to meet him. In the Mandated Territory there are at the present time two taxes—the head tax and the education tax.

The head tax, which has a maximum of 10s. per head, is collected from the natives by the District Officers and is paid into General Revenue Account. In 1926 the amount thus collected was about £20,000. The education tax, which is also collected by the District Officer, ranges from 5s. to 10s., and is paid into the Native Welfare Account and is disbursed upon objects that more directly affect native interests. In 1926 the sum of approximately £11,000 was raised in this way. It has been found that these two taxes present many difficulties in collection, and the suggestion has frequently been made that there should be one tax only; that all should be paid into the General Revenue Account and the expenses of education and other items of Native Welfare paid from that fund. The general opinion seems to be that taxation is much too high in comparison with the benefits received by the natives, but it must be said to the credit of the Government that there is considerable discrimination exercised in the collection of the tax. Districts that are backward are not pressed for payments until Government control is fairly well established, and, of course, there are very many portions of the Territory where Government control does not yet exist.

Land.

It must be admitted that the Germans did not exercise sufficient care in the alienation of native lands. Large areas were sold to planters and others, which meant, in some cases, the dispossessing of natives, and grievous injury has been done to the people because of the meagre quantity of land left to them. Even now many natives are suffering as the result of this short-sighted policy. We have no space to quote figures, but there are unmistakable indications that the decrease in population is coincident with, and consequent upon, the loss of planting lands. The present Administration is to be congratulated upon its attempts to safeguard native interests in this respect. Before any land is alienated the fullest enquiry is made concerning the

present and future needs of the native people in the locality.

Moreover, from the point of view of native labour, to which we shall refer later, further alienation of land for European plantation purposes will force a demand upon labour resources that cannot be met without the gravest effect upon the welfare of the people.

In connection with land matters it should be remarked that planters and others are experiencing considerable difficulty in obtaining titles to their holdings. Many pieces of land were registered in the old German Ground Book, and there seems at present no easy way of getting them registered under the new Administration. There has never been exactly such a case in the history of lawyer-dom, and there are no "precedents" quotable.

Language.

The question of a language that shall run through the whole Territory is extraordinarily difficult, and yet it is bound up in the whole bundle of the welfare of the native people. At present the people are suffering greatly because they do not understand, nor are understood by, their rulers. The prime curse of the Territory is really that make-shift thing called "pidgin" English. No adequate understanding can result from it, and the pathetic belief on both sides that each speaks to the other in a language he understands is possibly the worst feature of all. The Administration does its work in "pidgin" English. The first proclamation was issued in that jargon, and is worthy to be preserved in the annals of the race as an evidence of the base uses to which high things may be put. The proclamation reads as follows:—

"All boys belong to one place, you savvy big master he come now, he new feller master, he strong feller too much. You look him all ship stop place; he small ship belonga him. Now he come here he take all place. He look out good you feller. Now he like you feller look out good alonga him. Suppose other feller

master (*i.e.*, German) he been speak you: 'You no work along new feller master,' he gammon. Suppose you work alonga new feller master, he look out good alonga you; he look out you get plenty good feller kai kai (food). He no fighting black boy alonga nothing. You look him new feller flag, you savvy him; he belonga English, he more better than other feller. Suppose you been making paper (money) before other feller master. You finish him belongina him first. Suppose you like make him new feller paper longa man belongina new feller master, he look out good alonga you; he give good feller kai-kai. Suppose you no look out good alonga him, he cross too much. You no fight other feller black man other feller place; you no kai-kai (eat) man. You no steal Mary (wife) belongina other feller black man. By and by ship belongina new feller master he come and look out place belongina you. Me been talk with you now, now you give three cheers belongina new feller master. No more um Kaiser. God save um King."

Here are two regulations done into the same gibberish:—

"88. Boy he no can steal im mary belong nother fella boy. Suppose one fella boy he married finish he no can go long nother fella mary.

"All same, spose one fella mary he married finish he no can go long nother fella man.

"Suppose man now mary he make im all same, Kiap he can calaboose im two fella one time."

Which, being interpreted, means that men and women should not change partners.

"96. Spose boy now mary he die long place, Luluai must send in talk long Kiap.

"Spose one fella mary got im picanniny long place, Luluai must send im talk long Kiap."

Which is simply a regulation regarding the registration of births and deaths.

Colonel Ainsworth declared:—

“Except where I had the assistance of the missionaries as interpreters, it was most unsatisfactory discussing any matters with the natives. Indeed, when really intricate matters required to be discussed, the only possible course was to ask a missionary to do the interpretation. The only other means of carrying on a conversation—and at that a very limited one—is through the medium of Pidgin English, by which method, however, it is practically impossible to convey any serious question, or to really understand the true sense of any reply. I go so far as to say that where conversation is limited to ‘Pidgin’ it is almost, if not entirely, useless dealing with serious questions. I have dealt with this question in considerable detail in my report.”

The Government is seeking a way out of this difficulty by attempting to standardize English as a language, but we have seen how futile is this effort. A writer in the *Melbourne Age* some three years ago pointed out the essential weakness of English as a medium for the mass of the people.

“The belief seems to exist and be tacitly embodied in the whole enterprise that the future universal language for the native should be English, and that the multiple language question is to be solved by teaching them a thoroughly foreign language, which is non-indigenous and out of keeping with their habits and mode of thought, somewhat as if an effort were made to bring all the people of Europe under one language by teaching them Hindustani. It is conceivable that to teach English to a certain portion of the most intelligent and advanced natives as a special and higher branch of native education and for special purposes may be a feasible proposition, but the establishment of English as the linguistic basis for their life and the ultimate vehicle both of thought and intercourse does not seem sane. If under expert and

enthusiastic European tuition it takes four years to bring a native—and that a picked one—to a very moderate degree of proficiency in the English language, one wonders how long it would take such a graduate to inculcate in his own village, without the elaborate equipment of a European college, a working knowledge of the English tongue which would supplant the native speech. One thing is certain, the teacher himself would gradually lose such English as he had gained, and it would still remain a foreign tongue.”

It would seem that the only hope is to attempt to standardize one or more of the native languages, which is near to the whole native mind in structure and in content. In Fiji the same problem confronted the early missionaries, and they saw the utter uselessness of attempting to work in a number of dialects. They therefore took the Bau dialect, translated the Scriptures into it, used it as a medium of intercourse, and gradually it has become the only language throughout Fiji. A similar movement is already taking place in the Bismarck Archipelago, and the Blanche Bay dialect, because the Scriptures have been translated into it and the missionary work of both the Methodists and Roman Catholics are in that medium, is now becoming current over very wide areas.

I understand that two other languages are being standardized on the Mainland by the Lutherans and the Roman Catholics respectively, and the probability is that in the years to come there will be a struggle among those three dialects for supremacy and one of them will emerge victorious.

Labour.

The system of employing native labour under “indenture,” as it is called, obtains throughout the Territory. There can be no question that the only way in which such a system of labour can be justified is as a temporary expedient. The ideal must be something quite different.

The end in view must ever be to transform the native from a careless and casual food-planter into a competent and trained agriculturalist, utilising his own land with advantages to himself both in material prosperity and in manhood. To think of him as a mere wage-earner on a white man's plantation is surely to misinterpret the whole situation.

Under the Australian Mandate, labour conditions are very much better than under the German rule, but there are still many disadvantages associated with the system. The chief ill is that it takes men from their villages at the most fruitful procreative period of their life, and the result is a decline in population. The average rate of pay is about 6s. per month with rations and some clothing. The recruiters receive approximately £7 per head for each "boy" recruited. This work is generally done through the village chief, who, of course, has a broad palm that must be well oiled. The term of indenture is usually for three years, and safeguards have been put into the contract by the Government whereby many of the abuses are eliminated. The average annual cost of labour according to a recent return is as follows:—

Monthly wage, 12 × 6s.	£3 12 0
Monthly cost of rations and other issues, 12 × 15s.	9 0 0
Cost of initial issue (s. 61)	0 18 0
Annual issue	0 5 0
Recruiting and repatriation, three years' contract, 145s.	2 8 4
Government fees	0 2 4
Taxes	0 6 0
Average cost of medical attendance	0 12 0
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	£17 3 8
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Missions.

A review of the conditions in the Mandated Territory of New Guinea must of necessity include a reference

to Missions, as possibly nothing else is so intimately associated with the welfare of the people. There are many critics of missions in New Guinea, and every now and then there is a volcanic outburst against missionaries and their cult. This is to some extent explicable, because there are many points at which a programme of the Missionary Societies runs athwart the desires of certain Europeans, but no one with an unbiased mind can do other than admit that the missions, both Catholic and Protestant, have been responsible for an enormous amount of good, and have kept up a standard for the treatment of native people which has had its reflex influence in many directions.

We cannot do better than quote from Colonel Ainsworth's *Report*:—

“The Territory as a whole is well supplied with missions, whose efforts are well distributed. There still remain, however, considerable areas for the extension of their work. To my mind there is abundant evidence of the beneficial influence exercised by the different societies, whose work is generally of a high order and extremely helpful to the natives and the Administration.

“If for no other reason that that the missionaries are the only white men in the country who can speak the native language, and as a consequence, have a knowledge of native customs, etc., they are a valuable asset. Numbers of them have a fund of information, which they willingly place at the disposal of the Government. Considering these important points, their presence in the country is, or should be, a distinct advantage to everybody concerned.”

“The Roman Catholic and Lutheran Missions depend very largely, if not entirely, upon the output of their plantations for the carrying on of their work. Their aggregate holdings of land amount to 43,802 acres, of which about 15,000 acres are developed. The Methodist Mission possesses 800 acres of land, of which

nearly the whole is developed. This mission depends almost entirely on a system of contributions.

"I believe that every penny obtained by the missions from the sale of produce is devoted entirely to mission work in the Territory.

"A pleasing feature in the New Britain area of mission work is the apparently very amicable relations which exist between individual missionaries belonging to the Methodist and the Roman Catholic Societies, and their general accord on matters concerning native welfare and the subject of a common language. Such a state of affairs is most hopeful."

The whole educational work, with the exception of the one Government School at Malakuna, is carried out by the missionary societies without any financial assistance from the Administration. The following is the last return of pupils receiving instruction:—

Roman Catholic Schools	15,352
Methodist Schools	10,688
Lutheran Schools	6,067
Seventh Day Adventist Schools . . .	37

"On moral and spiritual lines," writes a contributor to the *Melbourne Age*, "much is being accomplished by quiet permeation and inspiration. Old habits, such as cannibalism, have gone. Many old customs, as the unhealthy burial practices, with their barbaric treatment of the widow, are being changed. A man is no longer buried three inches below his own house floor, or allowed to rot on a platform in the open. Proper burial grounds are provided. Marriage customs are no longer a mere sale of the woman for the enrichment of her uncles, without any say on her part—under the Christianising influence the unwillingness of the woman is fatal to any marriage bond. Polygamy goes out as Christianity comes in, and pure love matches, which disregard the old native customs and thought, are not unknown. It is interesting to notice how the old native habit is retained where it is not immoral or debasing—there is

not a ruthless sweeping aside and disallowing of purely native habit—the native characteristics are still maintained, while the whole is being permeated with a leaven of the new and better spirit. As one native said: “In the olden days we put the stranger in the oven; now we present him with some of our food.” A dance which in origin and production is purely native—very native—is followed by a Christian service, in which white and black alike partake of the emblems of the death and sacrifice of Jesus Christ. The effort of the mission is not to make them into Christians which are poor imitations of white men, but genuine native men of Christian character.”

CHAPTER XII.

AUSTRALIAN POLICY IN PAPUA.

SIR HUBERT MURRAY.

There are many theories of native administration. Perhaps the simplest of all is the theory that anything of the kind is impossible—that the gulf between the native and the white man is so great that it cannot be bridged, that any close relation between the two is out of the question, and that an attempt by the stronger race to govern the weaker can only end in the degradation and ruin of the latter. This theory is not held by anyone who has had any experience of native administration, for the answer is obvious. *Solvitur ambulando*—the problem is being solved by administrators every day throughout the Empire. It is a theory which is confined to the schools, and is likely to remain so, for it is incapable of practical application.

Then there is the theory that the native is a child, and must be treated as a child, which, in practice, generally means that he is to have no rights as a man, that he is to remain a servant until the end of time, and that he is to be treated well or ill according to the white man's caprice. This theory rests on a false analogy, for natives are no more children than we are; but it still has a certain vogue even among those who are well disposed towards primitive races, for it contains a certain amount of truth.

And then come those vigorous and energetic persons who take what they call a robust common-sense view of the situation, and who demand that the interests of the native shall be completely subordinate to those of the European settler. They argue, in the interests of progress and of humanity in general, that there is no room for the inferior races in a world which is being rapidly filled by the higher types of mankind. They would tolerate natives only as servants to the higher race, and

even as servants only for so long as they were absolutely necessary; for, so soon as their places can be filled by machinery, they are no longer wanted, and they must go.

And then, even when you have settled the main lines of your policy, there are innumerable subsidiary problems that arise—*e.g.*, questions of native land and native labour, of native education, of native agriculture or industrial enterprise, of retention of native customs, and a hundred others—all of which call for serious consideration.

So when the Commonwealth in 1906 assumed control of British New Guinea, or Papua, as it now came to be called, the task which lay before the Government was not an easy one. There were, in the air, other theories of native administration, some of them still wilder than any that I have mentioned, and though none of these extreme theories ever had been, or ever could be, openly approved by any civilised community, still some of them were popular enough, and were strong enough to influence, though not actually to determine, the course of an administration.

And there was behind it all, in 1906, that lurking mistrust and want of self-reliance which was so common with the Australian of twenty years ago, and which has not yet entirely disappeared; the secret doubt whether an Australian really was as good as another man, and, in this particular instance, a lack of confidence in the ability of any Australian to govern a native population.

Further, there was, at this time, hardly anyone in the whole of Australia who had had any experience in native administration, and if the Commonwealth had adopted a cautious and uncertain attitude, and had refused to commit itself to any definite native policy, one might have regretted its timidity, but one could not have blamed it. But, far from showing anything like caution or timidity, the Commonwealth took up a very definite and uncompromising attitude and pursued a consistent policy from the first. It was a policy which insisted upon the maintenance of law and order throughout the

Territory, which guaranteed justice and freedom to native and European alike, and which, unequivocally, set before itself the welfare of the native as its chief objective.

All this sort of thing has become a commonplace nowadays since the publication of Article 22 of the Covenant of the League of Nations, and of the declaration made by the Duke of Devonshire in 1923; but in 1906 it was not a commonplace. There was a very strong and influential body of men at that time who were ready to argue that, if there was to be any question of a "trust" at all, the *cestuis que trustent* should be not the natives, but the men who had invested their money in the development of the land which the natives were too ignorant or too indolent to develop themselves.

Now the first duty of any government is to maintain law and order. The Papuan Government had perhaps a special obligation towards the white men who had come to the Territory under an implied guarantee that they would receive reasonable protection, but the Government had also a duty towards the native inhabitants; law and order must be maintained among the Papuans, and it must be maintained without any regard for considerations of sentiment. The native who murders a witch must be punished, though he is firmly convinced that he was merely acting as a good citizen should, and that he was conferring a boon upon the community; and he who takes part in village warfare, or in a cannibal feast, must be punished also, however deep-rooted his action may have been in native custom. They must all be punished, but, out of regard for native custom, the punishment may be so light as to be at first hardly more than nominal. A heavy sentence is rarely necessary. What is necessary is that the native should realise that it is our law and not his that is going to survive, and that if he breaks that law he will inevitably be punished. He may hide in the thickest forest, in the deepest swamp, or on the highest mountain top; the arm of the law must be long enough and strong enough to find him

out, and to bring him back to answer for what he has done.

The most common native offence is murder, but this is rarely murder as we understand it; usually it is a matter of etiquette, an act of private vengeance, which is necessary in a community where there is no police, a display of youthful strength or cunning, or an act of war. But by our law it is murder, and it is treated as murder, except that the death penalty is rarely inflicted. Quite recently I tried a case where a number of natives were charged with the murder of several men of another tribe; the murders had been committed in retaliation, or, as the natives put it, in payment, for other murders. The prisoners pleaded guilty, and, when they were called up for sentence, one youth stepped forward, raised his hand, and said in the Port Moresby language: "These men had killed my brother, born of the same womb; was I to stay in the village when the canoes went out to 'pay back'?" I could not help thinking that he would have been rather a rotter if he had stayed behind, and I hope that the sentence I passed was not too lenient.

Then young men kill to gain the right to wear the *heera* (the insignia of the homicide), or to win the favour of the girls of the village, who are, naturally enough, inclined to look down upon a youth as a milksop if he has never taken human life; and there are, of course, murders committed at the prompting of rage, jealousy, and other passions; but there are, besides these, all sorts of nondescript murders. I may mention as instances a case of some men who killed three runaway carriers, and who gave as their excuse the fact that the carriers "looked cold and hungry"; and another where a man had made a practice of killing women, and who volunteered the explanation that "women cannot run fast and do not carry spears"; the case of a man who killed his uncle because "the old man was not much good"; and of the two who were asked by a sick man to help him over a river, and who promptly killed him,

because on the one hand it would have been discourteous to refuse, and on the other he was too heavy to carry.

We cannot understand these cases, as we can that of the man who killed the other "because he talked too much," but they are obviously murder by our code, and they are punished accordingly, but only with imprisonment. I mention them, not so much because they seem to me to be rather strange, as because they illustrate an objection which is sometimes raised to our idea of the maintenance of order. We should approach these cases, it is urged, from the natives' point of view, we should recognise the strength of native custom, and allow them to settle their disputes in their own way. But this is not our policy.

We contend that the King's peace must be upheld. The poor, helpless, half-demented old woman who is killed as a witch, the cold and way-worn carriers, the man who is killed in order that his murderer may wear the *heera*, the women who did not carry spears, the sick man who was "too heavy," and even the unfortunate who "talked too much," are all entitled to such protection as the law can give them, and, if their life is taken, retribution must follow. The force of custom is recognised in the sentence, which varies according to the knowledge of our law which the prisoner may be presumed to have possessed.

The murder of a white man by a native is usually punished with death; the severity of the punishment is justified by the fact that the small white community must be protected. Such cases are rare, and the converse case is rarer still. I can remember only one case in which a white man was convicted of the murder of a native, and only two in which such a charge has been made. In the case in which there was a conviction there were mitigating circumstances, and the death penalty was commuted to imprisonment for three years with hard labour.

Exploration, too, is an essential part of administration. For if you are to govern a country it is obviously

desirable that you should know what is in it; and, in particular, exploration is necessary as a preliminary to the general pacification which should follow on the establishment of a civilised government. For, as you extend the sphere of government influence, the tribes who are brought under this influence will by degrees lay down their arms, relying upon the protection of the law, and the administration will fail in its duty if it leaves them open to attack from tribes further afield, who have not yet been pacified. Consequently the sphere of Government influence must be continually extended until some natural barrier is reached, such as a chain of mountains, or an expanse of uninhabited country, which will protect the pacified tribes from invasion; and exploration must always extend further than actual occupation if you wish to ensure the safety of your outposts.

The exploration of Papua is now practically complete with the exception of a block between the Strickland and the Kikori, and another in the north of the Delta Division; and it is probable that these blocks are inhabited either very sparsely or not at all.

Exploration in Papua is attended by two special difficulties—it is impossible to live on the country, and much of it is too rough for animal transport. So practically all supplies must be carried, and on the backs of men. This makes travelling very laborious, and the Territory has been explored, not by big expeditions, but generally by Government parties crossing from station to station. The work has been carried out continuously, has attracted no particular attention, and is now nearly complete.

Small parties have always been favoured in Papuan bush work, partly on account of the transport difficulty and partly because a small party is more easily kept in hand. For instance, in the recent expedition of Mr. Karius and Mr. Champion, from the South Coast of New Guinea to the North Coast, the party that traversed the unexplored part, from Mount Blucher northwards, consisted only of the two white men, six police, and

thirty-six unarmed carriers. There is fortunately a fine spirit of camaraderie among officers and men of the Armed Constabulary, and the men stick to their officers because they know that their officers will stick to them; and six men of this stamp, well armed, are equal to any force that is likely to be brought against them. Still I venture to think that few men outside the Papuan service would have undertaken this journey with such scanty support.

There had been a British administration in Papua since 1884, and the Lieutenant-Governors who had been at the head of the administration were both men of distinguished ability, so that much exploration had already been done, especially in the Central Division and in the districts to the east of Port Moresby, and the reign of law had been more or less assured in those parts long before 1906. So, when the Australian Government was established, though of course it was necessary to proceed apace with exploration and pacification, it was also possible to devote attention to the development of the country that had already been pacified.

Development, whether mining or agricultural, depends in the first instance upon the natural resources of the country, and secondly upon the quantity and quality of the available labour. All that a Government can do is to pass a reasonable Native Labour Ordinance, and to make the conditions of land tenure as easy as possible; and this was done. Indeed, the land conditions were made too easy, and applications came pouring in for areas that could never possibly be developed. There were less than 1500 acres under cultivation in 1906, and in the first two years of Australian administration nearly a quarter of a million acres were applied for. Of course, this was far in excess of the area that could be developed with the then existing labour, and much of the land applied for was afterwards forfeited or abandoned. The net result after twenty years shows the area under cultivation as amounting to about 63,000 acres, an increase of over 60,000 acres.

Unfortunately the agricultural development has been for some years at a standstill. The extraordinary variation in the price of rubber may be sufficient to explain why this culture is not more favoured, but it is difficult to understand why coconut planting does not attract attention. It pays well enough. We have a Government plantation of about 1000 acres, not yet quite in full bearing, which returns a net profit of between £4000 and £5000 a year on a capital expenditure of less than £26,000; surely if a Government can do this, private enterprise can do far more. And there is suitable land and labour available.

Mining has for the present almost ceased, though the search for petroleum goes on briskly; and our knowledge of the mineral resources of Papua amounts to practically nothing. Alluvial gold mining has come, apparently, to an end, though not until it has produced gold to the value of something like a million and a half or two million pounds; but the surface of Papua has hardly been scratched, and it is impossible to set a limit to the possibilities of future mineral development.

There is nothing of any particular interest in connection with the land policy in Papua; it has followed much the same course as elsewhere, and been exposed to much the same criticism. Native ownership of land is recognised, but persons desiring to take up land are not allowed to deal with the native owners direct; they must apply to the Government, and the Government deals with the owners. Further, no land can be granted in fee simple. The Government can buy land and can lease it to the applicant for as long as 99 years; but the purchase of native land is expressly forbidden unless it is clear that "the land is not required or likely to be required by the owners."

The complaints made against the land administration have been that the Government was too particular in making inquiry whether the natives required the land, and that there was too much delay in dealing with applications. It is obvious that these criticisms are inevitably

invited by any policy which is careful of native rights, and, so far as I could see, there was rarely any delay that could have been avoided.

Land was easy enough; there was plenty of land available, and the owners were generally willing to sell. And in the purchase of land there had been no difficulty. A Board had been appointed to inquire into cases of hardship or injustice that might arise in the acquisition of native lands, but, though over a million acres have been purchased from native owners, there has not been a single case in which fraud or oppression has even been alleged.

But labour was not nearly so easy. This is always a difficult question, and in Papua particularly the prospect was not bright. The Papuan was practically untried as a labourer except for alluvial mining; he was a peasant proprietor, and peasant proprietors are not, as a rule, anxious to work for hire: he had never lived under a despotic government and had no idea of compulsory labour; and he had, as a rule, enough to eat, and was not known to have any particular want or desire except for tobacco. And the natives of New Guinea generally had borne the worst possible reputation ever since Dampier had condemned them as "a fierce and intractable race of savages, who, when fired upon, do not scruple to retaliate." In addition to all this, they were said to be incorrigibly lazy, so lazy, in fact, that they even failed to appreciate the pleasure of working for a white employer.

Then there are two restrictions in Papua which you have to put up with whether you like them or not; one is that, under present conditions, imported labour is impossible, and the other is that forced labour will not be allowed. It is hardly necessary to add that flogging and all forms of corporal punishment are absolutely forbidden. And I think that, if a vote were taken of the European residents, these restrictions would be endorsed by a large majority; certainly there would be but a small minority in favour of corporal punishment.

I have said that imported labour is impossible because I do not think that any Australian Government would now permit anything of the kind; but I have added "under present conditions" because if petroleum were discovered in payable quantities, and sufficient Papuan labour were not forthcoming, it is conceivable that Asiatic labour might be admitted.

I have heard bitter criticisms of the policy which forbids the importation of alien labour into Papua; but, in fact, the importation of indentured labour has practically ceased throughout the Empire. In Papua the exclusion of alien labour may be defended in the interest both of Australia and Papua. In the interest of Australia because imported labour eventually means an Asiatic population, as in Fiji and elsewhere in the Pacific, and because an Asiatic Papua would mean an additional danger to the Commonwealth; and in the interest of Papua because an influx from Asia would take away from the Papuan all stimulus to ambition and all scope for advancement. These would be the prerogative of the Asiatic, for the Papuan could never face the competition of the industrialised alien.

Forced labour, on the other hand, may be defended. But anything of the kind would in practice require such an extraordinary number of safeguards that it would be unworkable. And, in any case, forced labour could never win approval in Australia.

There are two ways of employing native labour; as "free labour" or under some system of indenture. Where there is "free labour" master and man are not subject to any statutory conditions, but, under a system of indenture, almost all the relations between them are conditioned and limited by statute or regulation—the length of the term of service, the rate of wages, the ration scale, the hours of labour, the care of the sick, the return of the labourer to his home, and a hundred other matters that may arise in the course of employment. And the breach of these conditions is punished in the

case of the employer usually by fine, in the case of the labourer usually by imprisonment, with hard labour.

Not only must there be no forced labour in Papua, but labour must be voluntary in the fullest sense of the word. It is not enough for the native to accept the recruiter's presents, and to promise to go to work, in the course of a conversation in his village or on the beach. Until the contract is signed before the Government Officer the native may, at any moment, change his mind, and the recruiter must take him home again, promises and presents notwithstanding. And the Government Officer must stand quite neutral. The slightest word or hint from him might be sufficient to induce a doubtful native to engage, but the word cannot be spoken—the hint cannot be given. Complaints used to be frequent from recruiters, maddened at the sphinx-like attitude of this official, and furious at having to return a native who, after repeated promises to "sign on," had refused at the last moment. But obviously labour must be either free or compulsory—it cannot be half and half; and of late years these complaints have ceased. Employers nowadays do their own recruiting much more than formerly, and they realise that an unwilling recruit is worse than useless.

Such are the general principles of the native labour policy of Papua. They are much the same as in other countries where labour serves under indenture, and they protect both the labourer and the employer. The great advantage to the employer is that the Native Labour Ordinance gives him a criminal remedy for a civil wrong, and the advantage to the native is that it ensures the payment of his wages, and the due observance of the other conditions of his contract. It is, of course, quite illogical to enforce a civil contract by criminal procedure, and it is, I suppose, equally illogical to fine the one party for breach of a contract and to send the other to gaol; but a strict observance of dialectical subtleties would render the system of indenture ineffectual.

The indenture system may be defended on the plea of necessity, but it is really rather like slavery in many of its incidents, and it is not an institution which anyone would care to perpetuate. Consequently provision was made in the Native Labour Ordinance that a native might work for three months without indenture, and a great many do work in this way as "casual labourers"; for that is the name which has been given to them to distinguish them from the indentured labourers, or "signed on boys," as they are generally called. These "casual labourers" are as a rule quite satisfactory, but of course the employer has no hold on them, for they can leave when they like, just as he can dismiss them at will. Consequently it is unwise to conduct operations with nothing but "casuals," the whole of whom may be stampeded at any moment by a fear of sorcery or a desire to go to a dance, and who may leave the mine or plantation without labour at a critical moment, when every man is badly wanted.

Still, in conjunction with indentured labour, the "casual labourers" were quite a success, and the principle was extended further by an amending Ordinance which was passed last year. The former Ordinance imposed a limitation of time but not of place, for it permitted a native to work anywhere in the Territory without indenture, but only for three months: the amending Ordinance imposes a limitation of place but not of time, and allows a native to work for as long as he likes without indenture, but only within a certain distance of his home. The distance is twenty miles in the case of a man and four miles in the case of a woman.

The provisions are cumulative; that is to say, that the native can still work for three months anywhere in the Territory, and, of course, he can still "sign on" under contract if he wishes to.

The object of the limitation of place is to ensure that the native may be able to return home if the conditions of service do not suit him, for both parties have the

right to terminate the contract when they like. The importance of the Amending Ordinance is that it simplifies the transition from indenture to free labour.

The indenture of women is not allowed in Papua except for domestic purposes, nor, except for those purposes, is it permitted in any of the British Territories in the Pacific. The question used at one time to be hotly debated. Pretty pictures used to be drawn of happy family groups living together on a plantation, father and mother indentured as labourers, the children going to the plantation school, and all, when necessary, receiving attention at the plantation hospital. And the picture was not altogether imaginary. But the price to be paid by the natives would be a heavy one, for it would mean a complete change of status; they would cease to be peasant proprietors, as they are at present, and would degenerate into a landless proletariat, men and women divorced from village life, and dependent on the plantations for their very existence. Such a prospect can have little attraction for those who sympathise with the theory of the sacred trust.

It is the necessity of protecting the village life that has made us refuse to "sign on" women for plantation work, and it is the same motive that has led us to discourage child labour, and to require that a native labourer shall not, except with the consent of the Commissioner for Native Affairs, remain away from his village, under successive contracts, for more than four years. Such regulations seem irritating at first, but, since they have been recognised as part of a regular policy, residents have ceased to object to them, and I have no doubt that by many they are cordially approved.

There are about 300,000 natives in Papua, and at any given time not more than 10,000 are working as labourers; consequently the Native Labour Ordinance touches only the fringe of the general question of native policy. One of the great difficulties of administration in such a country as Papua is that you have two classes of inhabitants—the brown or black and the white—

who can never amalgamate; so that you are threatened with an antagonism not only of class but also of colour. And the question is further complicated by the fact that it is not desirable that the classes should amalgamate, and that the Government is to be trustee for the weaker party.

The policy of the "sacred trust" is familiar to everyone. It is, of course, not a new policy, for it is identical with the policy which has been advocated for the last fifty years by the best British administrators throughout the world, and which the Commonwealth has consistently upheld in Papua. But it is a policy which demands, as a condition of its success, a more or less intimate knowledge of the natives who are the object of the trust. And it is here that services of the science of Anthropology become so important in native administration—not, of course, as determining the principles of administration, but as supplying the information and knowledge which is necessary to ensure the successful application of those principles which have already been determined.

And it may be claimed for Papua that it was, perhaps, the first, or, at any rate, one of the first, of the Colonies and Territories of the Empire to acknowledge the practical value of this science by the appointment of a Government Anthropologist.

This "sacred trust," though easy enough to talk about, is very difficult to administer, and it is particularly difficult to administer in the case of people like the Papuans, who are "not yet able to stand by themselves." You can get no assistance from these people, and they are so little capable of self-expression, and lie so completely at our mercy, that the temptation to abuse our power is very strong indeed. But, assuming that we overcome this temptation, how are we going to discharge the trust, the object of which is their "well-being and development"? In what does their well-being consist, and what direction should their development take?

And here we are back on the old battlefield again. For some will argue that the welfare and development of the natives is best secured by keeping them in the service of the white man, and others will argue that it is our clear duty to leave them alone—that any attempt to enforce our laws or to maintain order is absolutely unjustified, and that we should discourage all relations between the native and the European. The Commonwealth has again shown its sanity by ignoring both arguments. The first is completely out of date, and the other, however well suited for discussion in a debating club, is quite impossible in actual administration.

What are we, then, to do with the Papuan? It is a good thing that he should work for a white employer, but we cannot be satisfied with this as the final end of native development; we must give him the opportunity of rising to something higher than this. Again, it is a good thing to preserve native custom, so far as it is not absolutely bad, but we cannot leave the Papuan as we found him—a stone age savage, often a head hunter and a cannibal. We should most decidedly not turn him into a third-rate white man; we must try to turn him into a better brown man than he was before.

And first we must assure his physical welfare. We must care for the health of the native population and protect them against the many new ailments that we have introduced, and we must provide for the sanitation of villages. This is done in Papua by the establishment of native hospitals, both by the Government and by the Missions, and by medical patrols of inspection.

And then, by subsidies to the Missions, the Administration has provided for education, both primary and technical, and, by the employment of skilled natives, has encouraged native industry in every Government Department. There are in all some forty or fifty native clerks, artisans and other skilled workmen in our small service, and the number will increase, for it is the practice to employ natives wherever possible.

It has been the general policy of the Administration to encourage the Papuan, so far as possible, to take part in the development and even in the government of his own country. Thus we establish native plantations, which we assist by supplying seeds and tools and by general superintendence; and we compel the cultivation of these plantations by natives of the adjoining villages. The work done amounts to about a month in the year for each man, and in return the labourer has his share of the profits, and is exempted from payment of the native tax. This is a tax which is levied on all male natives between certain ages. The tax cannot exceed £1 a year, and the money raised by it comes back to the natives again, for it is paid, not into revenue, but into a special fund, and can be expended only (i.) for the general and technical education of the natives, and (ii.) for purposes having for their object the "direct benefit of the natives of Papua."

The crops cultivated in these native plantations have been coconuts, rice, coffee, cotton, cacao, and oil palms; the most successful have been coconuts, coffee and cacao. The scheme is still in its infancy, but its success is, I think, assured.

The Papuan is beginning to take some direct part in the development of his country; can he take a part, however small, in its administration? Well, the experiment is being tried, and I have no doubt of the result. There are practically no chiefs in Papua with any general authority, and Sir William MacGregor appointed natives, whom he called Village Constables, partly to take their place and partly to represent the Government. But the Village Constable is really a Government Officer, responsible to the Government alone; he is not, primarily, the representative of the village. So, in order to induce the natives to take some interest in their own local affairs, we have, of late years, induced the village people to select certain men, whom we then appoint to be Village Councillors; these men represent village opinion, and receive from us, and give to

the rest of the village, a brief explanation of what the Government is doing. Thus a Government Officer explains to the Councillors, and they pass on to the rest, the real meaning of the tax: he tells them, for instance, that the tax does not go into the pocket of the tax collector, but that it is used to build hospitals, to equip schools, to provide for the travelling medical assistants, and so forth. And so with other Government activities. And in this way we hope to make them realise that we do not make them build roads and carry heavy burdens for our own amusement, but that there is really some reason for it all; and that, in nine times out of ten, what we are doing is solely for their benefit.

Administration will be much easier and will go much more smoothly if we can get the natives in general to see what the most intelligent of them see already, that we are really doing all we can to help them. And the Councillors can also assist us to get a better insight into native life. Some of the suggestions which we receive from them are quite useful. For instance, a few days ago the Port Moresby Councillors requested that leaflets should be published in the *Motu* language, explaining the advantages of putting money into the Savings Bank. "If these advantages were more widely known," they said, "there would be less gambling and waste of money; many 'boys' gamble simply because they have the money and do not know what to do with it."

Underlying these questions of policy is the question of method, and this resolves itself into a choice between direct and indirect rule. In Papua the choice was difficult to make. There were few powerful chiefs, and no system of administration or judicial procedure; in fact, there was nothing to build upon. But in spite of these difficulties indirect rule has been the method generally followed. Indirect rule has its obvious dangers, which are familiar to most of us from the well-known novel, *Max Havelaar*, but it has been generally adopted in the British Empire.

There are many difficulties in native administration which are only realised by experience. It would be a hopeless task to attempt to enumerate them all; we can only deal with them as they arise, in the light of the general principles approved by the Commonwealth. And we may congratulate the Commonwealth on its foresight in having, in 1906, selected the broad policy which, twelve years later, was to receive almost universal approval.

Statistics are tedious enough; but they have their use. Here are the Papuan official figures for exports, imports, and territorial revenue for the years 1906-7 (when the Australian administration began), 1916-17, and 1926-7:—

	Exports.	Imports.	Territorial Revenue.
1906-7	£63,756	£87,776	£21,813
1916-7	156,535	271,640	62,919
1926-7	454,462	455,904	112,995

The post-war rise in prices has increased the imports, but has had much less effect upon the exports.

The advance of the Territory has not justified the hopes of our youth; but still the progress of a country which, roughly speaking, doubles its trade and revenue every ten years, must be regarded as satisfactory, especially when this progress has had no assistance from sudden strokes of good fortune, as, *e.g.*, the discovery of new mineral fields.

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